

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Calhoun County	County Calhoun
Fiscal Year End 12/31/2006	Opinion Date June 23, 2007	Date Audit Report Submitted to State June 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

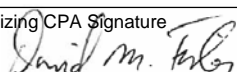
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe) (SINGLE AUDIT)	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337

# **COUNTY OF CALHOUN, MICHIGAN**



## **Comprehensive Annual Financial Report**

**For The Year Ended  
December 31, 2006**

# **COUNTY OF CALHOUN, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Board of Commissioners:**

Katherine Segal, Chairperson

Terris E. Todd, Vice-Chairperson

Betty Arnquist

Michael Rae

Gregory A. Moore

Jase Bolger

Eusebio Solis

Benjamin A. Miller – term expired December 31, 2006

Daniel A. Strowbridge – term expired December 31, 2006

**Prepared by:**

Finance Department

**County Administrator/Controller:**

Greg Purcell

**Assistant County Administrator:**

Wendee Woods

**COUNTY OF CALHOUN, MICHIGAN**  
**For the Year Ended December 31, 2006**

**TABLE OF CONTENTS**

---

	<b><u>PAGE</u></b>
 <b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i-viii
Certificate of Achievement for Excellence in Financial Reporting .....	ix
Organizational Chart .....	x
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1-2
Management's Discussion and Analysis .....	3-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	15
Statement of Activities .....	16-17
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets .....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund .....	22-25
Health Department Fund .....	26
Senior Millage Fund .....	27
Revenue Sharing Reserve .....	28
Child Care .....	29
Statement of Net Assets – Proprietary Funds .....	30
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	31
Statement of Cash Flows – Proprietary Funds .....	32-33
Statement of Fiduciary Net Assets – Fiduciary Funds .....	34
Statement of Changes in Plan Net Assets – Pension Trust Funds .....	35
Statement of Net Assets – Component Units .....	36
Statement of Activities – Component Units .....	37
Notes to the Financial Statements .....	38-74

**COUNTY OF CALHOUN, MICHIGAN**  
**For the Year Ended December 31, 2006**

**TABLE OF CONTENTS**

---

	<b><u>PAGE</u></b>
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	75
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	76
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	77-81
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	82-86
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds.....	87-109
Combining Balance Sheet – Nonmajor Debt Service Funds .....	110
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds .....	111
Combining Statement of Net Assets – Nonmajor Enterprise Funds .....	112
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds.....	113
Combining Statement of Cash Flows – Nonmajor Enterprise Funds .....	114
Combining Statement of Net Assets – Internal Service Funds .....	115-116
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets – Internal Service Funds .....	117-118
Combining Statement of Cash Flows – Internal Service Funds.....	119-122
Combining Statement of Fiduciary Net Assets – Pension Trust Funds .....	123
Combining Statement of Changes in Plan Net Assets – Pension Trust Funds.....	124
Combining Statement of Assets and Liabilities – All Agency Funds .....	125-126
Combining Statement of Changes in Assets and Liabilities – All Agency Funds .....	127-129
Statement of Net Assets and Governmental Funds Balance Sheet – Drain Commission Component Unit .....	130-131
Reconciliation of Fund Balances of Capital Projects Funds to Net Assets – Drain Commission Component Unit .....	132
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances – Drain Commission Component Unit .....	133-134
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Capital Projects Funds to the Statement of Activities.....	135
<b>STATISTICAL SECTION.....</b>	<b>136-158</b>

\* \* \* \* \*

# ***INTRODUCTORY SECTION***



# Calhoun County

## Office of the Administrator/Controller

*"Building A Better County Through Responsive Leadership"*

315 West Green Street  
Marshall, MI 49068

Office (269)-781-0966  
Fax (269)-781-0140

June 23, 2007

**To the Honorable Chairman, Members of the Board of Commissioners  
and the Citizens of the County of Calhoun, Michigan:**

The comprehensive annual financial report of the County of Calhoun, Michigan (the "County") for the year ended December 31, 2006, is hereby submitted in accordance with Michigan Act 2 of the Public Acts of 1968, as amended. This Act requires that the County issue an annual report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, our framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As Management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The auditors' report related specifically to the single audit is not included in this document, but is issued under separate cover.

This report is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section includes this letter of transmittal, a copy of the "Certificate of Achievement for Excellence in Financial Reporting" presented to the County for the Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2005, and the County's organizational chart.

The Financial Section begins with the Independent Auditors' Report on the basic financial statements and schedules for the fiscal year ended December 31, 2006. Management's Discussion and Analysis (MD&A) follows and is designed to complement this letter of transmittal and accordingly, should be read in conjunction with it. The MD&A is a requirement of Generally Accepted Accounting Principles, which require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The basic financial statements follow the MD&A and are comprised of government-wide financial statements, fund financial statements and the essential notes to the basic financial statements. Detailed financial information on fund types, and discretely presented component units are listed at the beginning of sub-sections within the Financial Section.

The Statistical Section includes unaudited financial and demographic information. It is presented on a multi-year basis where available.

## **PROFILE OF CALHOUN COUNTY GOVERNMENT**

Calhoun County was incorporated on October 29, 1829. It covers an area of approximately 710 square miles. The County Seat is located in the City of Marshall, mid-way between Chicago and Detroit near the junction of two major interstate highways - I-94 (east-west) and I-69 (north-south). The City of Battle Creek is the largest metropolitan area in the County. The population of the County per the 2004 U.S. Census estimate is 139,067.

The County is governed by a seven-member elected Board of Commissioners. Members of the Board of Commissioners are elected on a partisan basis for two-year terms from within their respective districts that are approximately equal in population. The Board elects from its ranks a Chairperson and a Vice Chairperson by majority vote. The administration of the County, other than as delegated to elected officials, is guided by the County Administrator/Controller who is appointed by a two-thirds vote of the Board of Commissioners and serves at its pleasure. The Board is responsible for determining the type and level of County services, adoption of the County Budget, equalization of County property values, legislative oversight of County services and the appointment of various boards, commissions and County officials. In turn, the County Administrator/Controller is responsible for carrying out the Board's policies and resolutions, and managing the day-to-day operations of the County.

Judges of the 37<sup>th</sup> Judicial Circuit and the Probate Court and the 10<sup>th</sup> District Court are elected at large for six-year terms. Operation of the court system is under the auspices of the Michigan Supreme Court and the respective presiding Judges, while the County government primarily provides financial support.

Administration of the County is divided by the Michigan Constitution among various statutory County officials, including the County Treasurer, County Clerk/Register of Deeds, Prosecuting Attorney, Drain Commissioner and Sheriff, who are elected at-large for four-year terms. The County Treasurer is the custodian of all funds, administers the collection of delinquent property taxes, and performs other duties concerned with the interrelated fiscal affairs of County departments and agencies. The duties of the County Clerk include keeping and maintaining records of births, deaths, marriages and discharges of military personnel, and serving as Clerk of the Board of Commissioners. The duties of the Register of



Deeds include the recording of deeds, mortgages, surveys, plats, notices of liens and bills of sales. The Prosecuting Attorney prosecutes violations of State criminal law within the County and may represent the County in appropriate Courts. The County Drain Commissioner administers the location, construction and maintenance of drains in the County. The Sheriff's duties involve the charge and custody of the County Jail, the serving of processes and primary law enforcement response in areas of the County without local police functions.

In addition, the Board of Commissioners appoints several County officials, including the Administrator/Controller, Health Officer, Medical Examiner and the Equalization Director with responsibilities as defined by statute, County ordinance or resolution. The Administrator/Controller's responsibilities include direction of central administrative functions of the County government and acting as a liaison on behalf of the Board of Commissioners between County offices, appointed officials and the general public. The Health Officer directs the operation of the County Health Department in accordance with Board of Commissioner's directions and as authorized by State law. The Medical Examiner serves as the Medical Director of the Health Department as well as performing the statutory duties of Medical Examiner. The Equalization Director oversees the equalization process of the County as prescribed by law.

The Board of Commissioners also appoints various boards and commissions to oversee specific County services and to advise the Board on certain matters of interest. Appointments to boards overseeing specific County functions include the Board of County Road Commissioners, the Board of Public Works, the Board of Parks Trustees, the Board of Health, Senior Millage Allocation Committee, Summit Pointe Board of Directors, and Veterans Affairs Committee. The Board also appoints members to various advisory committees and to regional bodies overseeing other programs providing services to the residents of the County.

The business of the County is carried out on a daily basis by approximately 600 employees located on several different campuses throughout the County. The primary locations are Marshall, the County seat, Battle Creek and Albion.

This report includes all funds of the County and its component units. The County provides a full range of services to County residents. Services are provided in the areas of public safety (law enforcement, jail administration), judicial (administration of the courts and probation departments), elections, public works, health services, social services, cultural (MSU cooperative extension services), road repair and maintenance services, parks and recreation, and general administrative services. In any one day, hundreds of people access County services:

- They may be utilizing one of the many public health, sanitation or disease control services provided by the Health Department, the support services of County Veteran Affairs or Senior Services, or the residential services of the Medical Care Facility. They may be utilizing one of the many other human service programs supported by County funds in the area of mental health, substance abuse, aging, special transportation, or youth violence prevention.
- They may be utilizing the services of the County Prosecutor, the Sheriff, or the Courts.
- They may be obtaining birth, death, tax or property information from the Offices of the County Clerk, Register of Deeds or the Treasurer; participating in elections; or getting assistance in drainage-related problems from the Drain Commissioner.

- They may be attending educational events sponsored by MSU Cooperative Extension or enjoying one of the County Parks.

The annual budget serves as the foundation for the County's financial planning and control. The County maintains real-time budgetary controls using an integrated financial management software package. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the general and special revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by defined cost categories (business units) within an activity or individual fund. Budgetary transfers are permitted in accordance with Board-adopted budget policies. Transfers of appropriations less than or equal to \$20,000 within, or between, activities may be approved by the County Administrator/Controller; transfers greater than \$20,000 require the approval of the Board of Commissioners. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

The County's strategic plan is intended to provide the foundation for budgetary decisions by establishing a vision, mission and long-range objectives. In addition to the strategic plan, the Board of Commissioners, at least annually, strive to establish a set of priorities for the development of the budget. The intent of these is to remain consistent with the overall objectives in the strategic plan but yet develop specific priorities that reflect current issues while keeping in mind the County's long-term objectives and financial limitations.

The following are recent priorities/accomplishments as identified by the Board of Commissioners during the 2007 Budget process:

- **Expansion and Rehabilitation of the Calhoun County Medical Care Facility:** In 2006, the County began construction on the renovation and expansion of the current Medical Care Facility. The total cost of the project will be over \$15 million, including a bond issue of \$8 million. The Medical Care Facility also receives a dedicated millage of .2482 mills (approximately \$900K) which was overwhelmingly re-authorized by the voters in 2006 with 84% support.
- **Senior Millage:** The County Senior Millage program was due to expire and was placed on the ballot in August of 2006 for re-authorization. The millage is .7452 mills which generates approximately \$2.6 million annually and was also approved by the voters of Calhoun County with almost 85% approval.
- **Criminal Justice System Workshop/Jail Revenues/Security System:** Working through the Sheriff's Department, the County was able to generate approximately \$4 million in revenue in 2006. Due to an increase in the per diem from the Federal government for housing Immigration and Customs Enforcement detainees, the County generated approximately \$275,000 more in revenue than originally projected. The County Board of Commissioners has made a commitment to dedicate 10% of the new higher per diem revenue to a capital improvement fund to address needs at the correctional facility. The County has also installed a new security system at the jail, replacing a non-supported technology, to ensure a high level of security and operations at that facility.

- **Technology Improvements:** The County has embarked on several technology improvements that should produce efficiencies over the next several years. In the criminal justice arena, the County is implementing the new Crime Cog system which will put all law enforcement agencies in the County on the same software system. The County has also installed wireless equipment in the Justice Center to enable the Prosecuting Attorney's Office to move toward a "paperless" office, using ImageSoft, a system that will also provide services to the Courts and other law enforcement agencies.
- **Juvenile Home:** Improvements at the Juvenile Home had been placed on hold for an extended length of time in anticipation of approval of a millage to build a new facility. The millage was ultimately defeated and the County has embarked on a series of improvements – new detention doors, air conditioning, and other improvements to ensure the facility meets the needs of young people requiring services at the facility.
- **Purchasing:** The County Board approved a new purchasing policy in 2006 that will ensure competitive purchasing while still providing ready access to business for local vendors. The Purchasing Department is now exploring the use of "purchase cards," instead of credit cards to ensure that all supplies and services are on an approved list at the most competitive price.
- **Financial Software:** The County began a technical review of the current financial software in anticipation that the system will not be supported by the vendor for an indefinite period. Further analysis will be done, in conjunction with the City of Battle Creek, exploring the issuance of a Request for Proposal to purchase and install a new system over the next 18-24 months.
- **County Parks:** In 2006, the County Parks Department entered into a long-term agreement with the Silver Leaf Renaissance Faire that has brought a number of improvements to the Kimball Pines Park facility. The new festival has proved to be a highly popular attraction bringing hundreds of people to the area for five weekends throughout the summer.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

**Local Economy.** Through a varied industrial, commercial and agricultural base, the County enjoys a relatively stable economic environment and indicators point to a continuation of this trend. The Fort Custer Industrial Park has become Michigan's largest industrial park. Located in the City of Battle Creek, the park, which is a customs free trade zone, encompasses 3,000 acres and contains 85 companies employing more than 9,000 people. The City of Battle Creek is host to the world headquarters of Kellogg Corporation and the cereal manufacturing industry. Also, Battle Creek is a U.S. Customs Port of Entry and contains a Foreign Trade Zone. A commercial shopping corridor in the Battle Creek/Emmett Township area serves a regional market. Automotive and plastic parts manufacturers, insurance companies, iron foundries, farms (approximately 1,200) and related agricultural businesses provide a variety of employment opportunities. A major U. S. Veterans Hospital in Battle Creek and community/regional hospitals in Battle Creek and Marshall provide health care services as well as additional employment opportunities. Higher education is available to County residents and others at several public and private colleges located in Albion and Battle Creek, including Kellogg Community

College (KCC), Albion College, Western Michigan University's Kendall Center and the newly established Miller College. Finally, in addition to established industrial parks in Albion, Battle Creek, Marshall, Tekonsha and Springfield, the County possesses three significant recreational parks that have nearby rail and interstate access: Kimball Pines Park, Historic Bridge Park at Riverside Park, and the Ott Preserve.

Manufacturing and service sector layoffs have pushed county unemployment to 6.8% in 2006 (up slightly from 6.4% in 2005), after several years of levels that were consistent with the state and nation. Manufacturing, trade, government, and services are key employment sectors, with leading employers including Denso Manufacturing Michigan Inc. (automobile parts, 3,000); U.S. Department of Defense, Logistics Service Center (Federal government, 1,900 employees); Kellogg Company (headquarters, 1,800); Battle Creek Health System (1,554 employees); and Battle Creek Public Schools (1,300 employees). In the fall of 2006, Battle Creek Unlimited was awarded a \$380K grant to create a new technology business accelerator and development program, named BC Ventures. They have experienced success in a short period of time with substantial business and entrepreneur interest in several areas including homeland security and defense, aviation, information technology, software development, and medical simulation. Downtown Battle Creek has experienced good and bad times with the closing of a local attraction, Kellogg's Cereal City USA, offset by the development of residential spaces in previously unoccupied retail venues. Previously Cereal City USA was owned by a non-profit entity and was therefore exempt from property taxes. It has since been sold to Kellogg's and will be developed into corporate office space and should be included on the tax rolls for 2008, at it's current building value.

Based on the 2000 census, there were 58,691 housing units in the County. Of these units, 73% or 42,844 were owner occupied. Renter occupancy amounted to 14,624 units and, of these, 4,591 were vacant. The National Association of Home Builders has ranked the Battle Creek metropolitan area as having one of the most affordable markets in the nation.

Health care services in the County have been rated as being very cost effective and, in 1994, Oaklawn Hospital (Marshall) was judged to be one of the nation's top 100 hospitals based on a comprehensive study. In 2006, the County established a Hospital Authority to assist with financial matters and expansion for Oaklawn Hospital and issued bonds totaling \$8 million.

The 2006 unreserved, undesignated fund balance represents 9.5 percent of total general fund expenditures (including transfers out) thereby meeting the Board of Commissioners adopted policy, as well as the Government Finance Officer's Association recommended practices. The Board strives to plan future budgets to meet the minimum reserve goal of 8% of general fund expenditures and transfers out.

These favorable local trends are counterbalanced, in large measure, however, by other factors. This economic downturn, both state and county wide, has impacted our fiscal operations leading to challenges in maintaining current services with even less support. Within the 2005/2006 fiscal year of the Health Department, Federal and State funding was reduced by \$525K, leading to a personnel decrease of 14 positions.

The County continues to see limited growth in property tax revenue. We are in the midst of the legislative plan that advanced the collection of property taxes from December to July in order to create a revenue sharing reserve fund that provides the County with the equivalent of revenue sharing payments, adjusted for an inflationary factor. This stop-gap measure not only creates cash flow issues in the beginning months of the fiscal year, it also ensures the equivalent of revenue sharing only through 2010. The

increase in the assessed value of taxable property in the County has been constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5% or the rate of inflation, whichever is less). The dollar value of this limited increase in taxable value of property and the eventual tax collection (averaging 4% annually) essentially covers salary and fringe benefits increases, leaving very little for new investment. However, in 2007, the County will be receiving a Payment-in-Lieu-of-Taxes (estimated at \$660K) from a renaissance zone that was created in 2004 as an economic development incentive to bring the Kellogg's U.S. Snacks division to Battle Creek. Since 2005, the County has lost significant annual property tax revenue as a result of this renaissance zone and was able to avoid General Fund staff reductions during the 2007 budget process. Taken together, these fiscal factors create a trend toward ever-tightening budgets under which the County must operate.

**Debt Administration.** At December 31, 2006, the County's outstanding direct bonded debt was \$15.8 million, a net increase of \$7.2 million from the prior year-end. In October 2006, the County issued general obligation bonds totaling \$8 million on behalf of the Medical Care Facility for renovation costs. Our overall bond rating remains at "A", a direct contrast to the downgrading of the State's rating from AAA to AA-. The outstanding balance of short-term general obligation tax notes decreased by \$150 thousand from the prior year.

**Cash Management.** The County has been consistently conservative in the cash management area. It is the policy of the County Treasurer to invest first for safety and second to maximize the investment earnings. Because only a small portion of the County's portfolio can be covered by FDIC insurance, it is essential to continually evaluate the quality of the instruments purchased and the financial stability of the banks and other financial institutions where investments are placed. Types of investments vary throughout the year depending on the County's cash flow requirements and the condition of the financial markets. Typical investments included demand deposits, government investment pool mutual funds, certificates of deposit, bankers' acceptances and high quality commercial paper.

**Risk Management.** As permitted by State law, the County is self-insured (up to certain limits) for employee health care, workers' compensation and disability coverage. Employee health care and workers' compensation are subject to excess insurance coverage policies. Third-party administrators are used for the health care, disability for employee bargaining units not in the County self-insured plan and worker's compensation plans. Also, as part of its comprehensive risk management plan, the government participates in a risk management pool with certain other Michigan municipalities for liability coverage. As part of the County's comprehensive risk management plan, resources are accumulated in internal service funds and reserves are on deposit with the Michigan Municipal Risk Management Authority (MMRMA) to meet potential losses. MMRMA, which is a governmental risk pool, provides \$15 million in liability coverage on an occurrence basis with a \$200,000 self-insured retention per liability claim.

## **AWARDS AND ACKNOWLEDGMENTS**

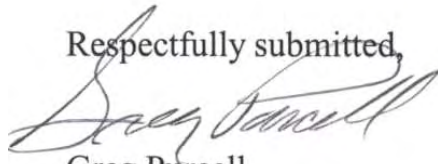
***Certificate of Achievement.*** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Calhoun County, Michigan for its comprehensive annual financial report for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Calhoun County has received a Certificate of Achievement for the last ten consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments.** The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance and Administration Departments. We would like to express our appreciation to members of those departments who assisted and contributed to the preparation of this report. Due credit also should be given to the Board of Commissioners for its interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Greg Purcell", written over the typed name.

Greg Purcell  
Controller/Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Calhoun  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blum".

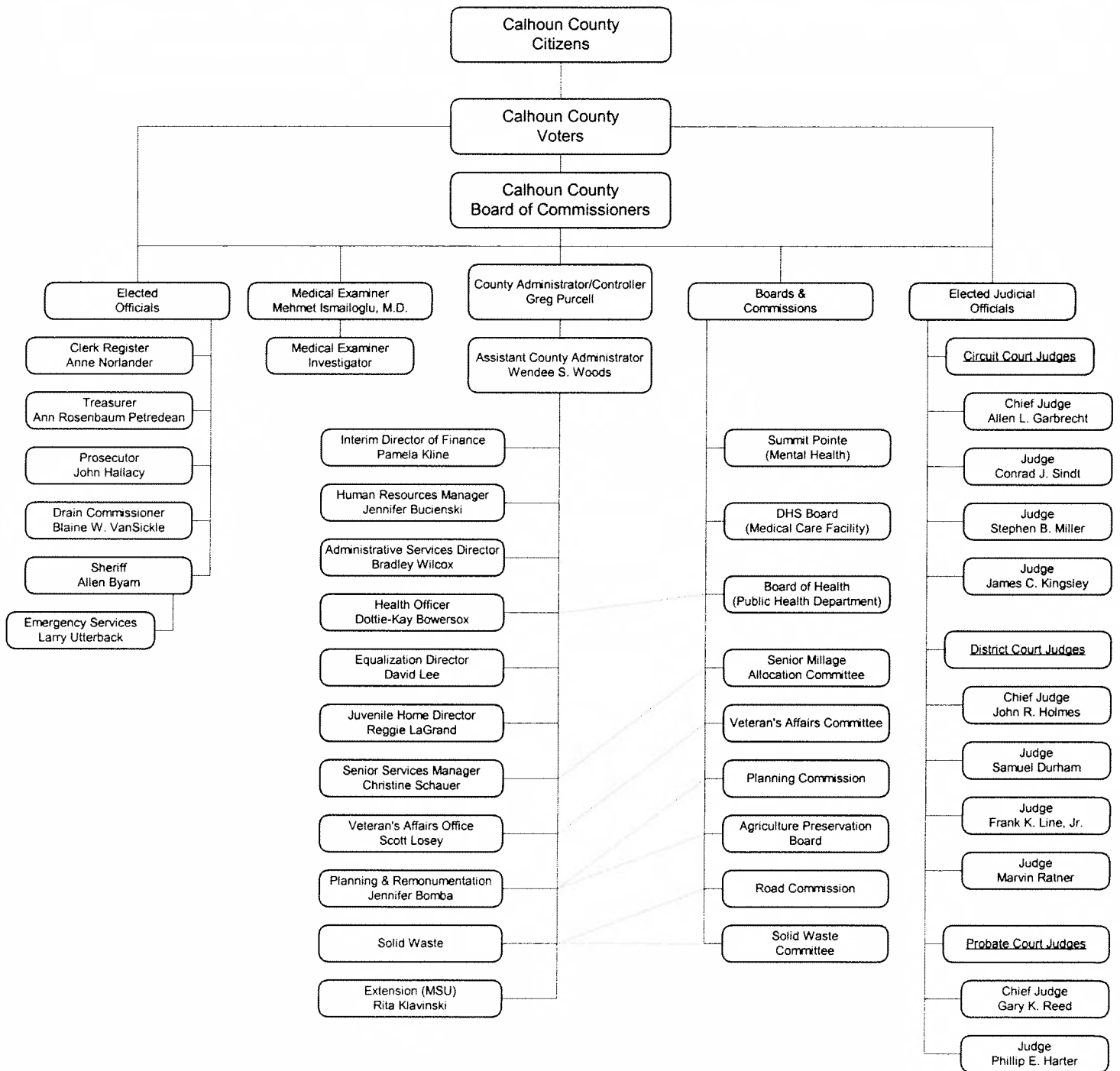
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# Calhoun County

## Organization Chart





## ***FINANCIAL SECTION***



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

June 23, 2007

The Board of Commissioners  
County of Calhoun, Michigan  
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **COUNTY OF CALHOUN, MICHIGAN**, as of and for the year ended December 31, 2006, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility and Delinquent Tax Revolving Enterprise Funds, which are major funds, and therefore, separate opinion units. In addition, we did not audit the financial statements of the Land Bank Authority Component Unit, which represent less than 1% of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Care Facility and Delinquent Tax Revolving Enterprise Funds and the Land Bank Authority Component Unit is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Medical Care Facility Enterprise Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Calhoun, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and each major special revenue fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2007, on our consideration of the County of Calhoun, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements taken as a whole. The introductory section, combining and individual fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County of Calhoun, Michigan. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION and ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Calhoun, Michigan (the "County") we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–viii of this report, and the accompanying basic financial statements.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$71.7 million (*net assets*). Of this amount, \$13.2 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors. Governmental activities contain \$3.2 million of the unrestricted net assets. The Medical Care Facility and the Delinquent Tax Revolving Fund contain most of the business-type unrestricted net assets.
- The County's total net assets increased by \$6.4 million during 2006.
- As of the close of the current fiscal year, the County's governmental funds (this includes the general fund, special revenue, permanent, and debt service funds) reported combined ending fund balances of \$15.53 million, an increase of \$3.7 million in comparison with the prior year. Of the fund balance amount, \$15.41 million is *available for spending* at the government's discretion (*unreserved fund balance*).
- The general fund had an increase to fund balance of \$961,835 for 2006. At the end of the year, unreserved fund balance for the general fund was \$2,912,949, or approximately 9.45 percent of total general fund expenditures. Total fund balance for the general fund was \$2,990,469.
- The County's net investment in capital assets increased by \$356,546 during 2006.
- The County's total bonded debt, excluding delinquent tax notes, increased by \$7,349,914 during the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which contain three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacations leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, judicial, public works, health and welfare, and recreation and cultural. The business-type activities of the County include the Medical Care Facility that provides long-term skilled nursing care and the Delinquent Tax Revolving Fund.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate Road Commission, a legally separate Board of Public Works, and a legally separate Drain Commission, for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Medical Care Facility, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government funds* with similar information presented for *government activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Health Department Fund, Senior Millage Fund, Revenue Sharing Reserve Fund and the Child Care Fund, which are considered to be major funds. Data from the other 27 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been provided for all applicable funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-29 of this report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses four enterprise funds to account for its business-type activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its equipment purchases, building and grounds, administrative services, insurance, employee benefits, workers' compensation, and sick and accident expenses. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Medical Care Facility and the Delinquent Tax Revolving Fund, which are considered to be major funds of the County. Data from the other two enterprise funds are combined into a single aggregated presentation. Detailed financial information for each of the nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The County's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-74 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 75-135 of this report.

## County-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$71.7 million at the close of the most recent fiscal year. The following schedule shows the County's assets by category.

### THE COUNTY'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 24,592,076	\$ 26,320,244	\$ 35,558,040	\$ 27,211,347	\$ 60,150,116	\$ 53,531,591
Capital assets	<u>34,921,534</u>	<u>34,960,158</u>	<u>4,543,876</u>	<u>2,383,023</u>	<u>39,465,410</u>	<u>37,343,181</u>
Total assets	<u>59,513,610</u>	<u>61,280,402</u>	<u>40,101,916</u>	<u>29,594,370</u>	<u>99,615,526</u>	<u>90,874,772</u>
Long-term liabilities outstanding	9,678,136	10,294,345	8,350,000	500,000	18,028,136	10,794,345
Other liabilities	<u>7,272,944</u>	<u>12,569,757</u>	<u>2,650,436</u>	<u>2,226,886</u>	<u>9,923,380</u>	<u>14,796,643</u>
Total liabilities	<u>16,951,080</u>	<u>22,864,102</u>	<u>11,000,436</u>	<u>2,726,886</u>	<u>27,951,516</u>	<u>25,590,988</u>
Net assets:						
Invested in capital assets, net						
of related debt	26,820,780	26,169,587	2,088,376	2,383,023	28,909,156	28,552,610
Restricted	12,578,097	9,761,506	16,933,437	6,473,620	29,511,534	16,235,126
Unrestricted	<u>3,163,653</u>	<u>2,485,207</u>	<u>10,079,667</u>	<u>18,010,841</u>	<u>13,243,320</u>	<u>20,496,048</u>
Total net assets	<u>\$ 42,562,530</u>	<u>\$ 38,416,300</u>	<u>\$ 29,101,480</u>	<u>\$ 26,867,484</u>	<u>\$ 71,664,010</u>	<u>\$ 65,283,784</u>

By far, the largest portion of the County's net assets, \$28,909,156 (40.3%), is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



An additional portion of the County's net assets \$29,511,534 (41.2%) represents resources that are subject to external restrictions on how they may be used. The County's unrestricted net assets are \$13,243,320 (18.5%). These assets may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2006 fiscal year, the County is able to report positive balances in all three net asset categories (invested in capital asset-net of related debt, restricted and unrestricted) both for the government as a whole, as well as for its separate governmental and business-type activities.

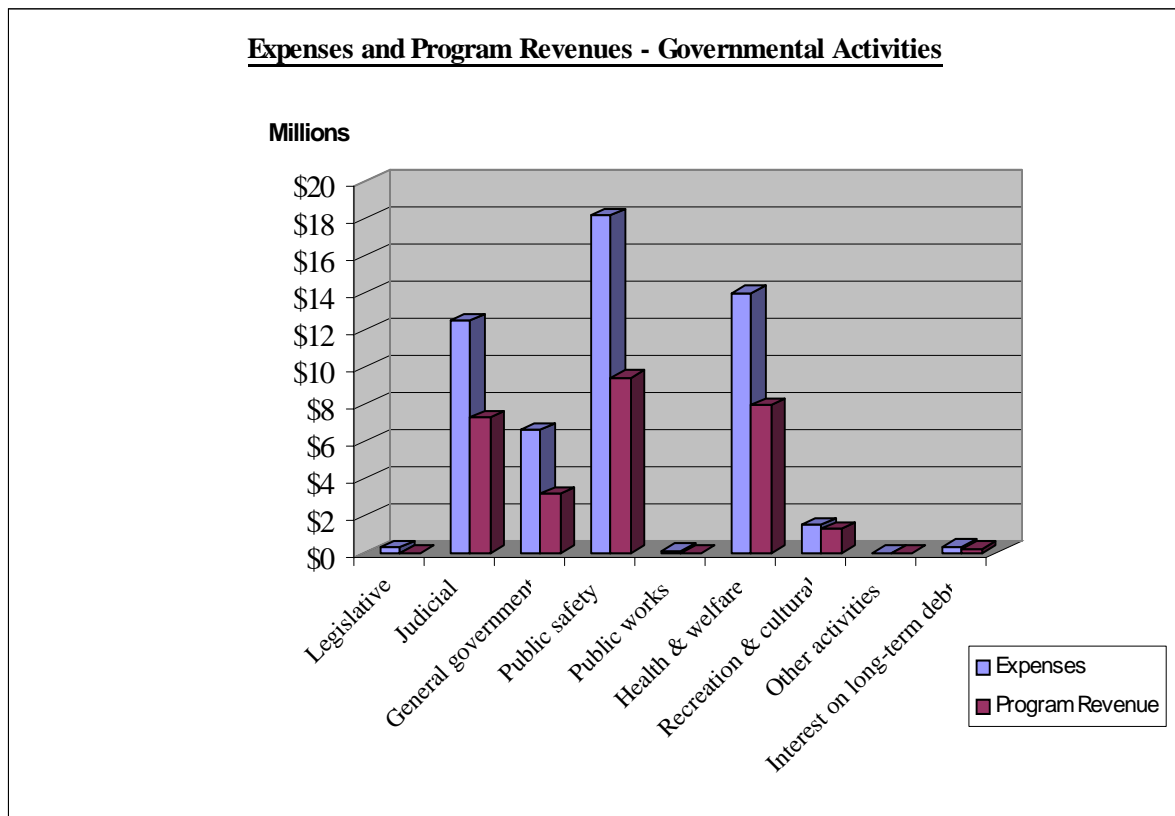
## COUNTY'S CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue:</b>						
Program revenue:						
Charges for services	\$ 13,465,073	\$ 12,569,080	\$ 13,289,362	\$ 11,291,805	\$ 26,754,435	\$ 23,860,885
Operating grants and contributions	15,807,506	15,863,153	1,330,785	1,001,194	17,138,291	16,864,347
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	25,284,240	24,740,374	917,934	880,423	26,202,174	25,620,797
Other	<u>1,129,137</u>	<u>918,872</u>	<u>-</u>	<u>-</u>	<u>1,129,137</u>	<u>918,872</u>
<b>Total revenue</b>	<u>55,685,956</u>	<u>54,091,479</u>	<u>15,538,081</u>	<u>13,173,422</u>	<u>71,224,037</u>	<u>67,264,901</u>
<b>Expenses:</b>						
Legislative	230,620	235,010	-	-	230,620	235,010
Judicial	12,482,683	12,423,746	-	-	12,482,683	12,423,746
General government	6,577,864	6,684,366	-	-	6,577,864	6,684,366
Public safety	18,139,312	18,481,346	-	-	18,139,312	18,481,346
Public works	104,239	105,166	-	-	104,239	105,166
Health and welfare	14,017,558	14,834,373	-	-	14,017,558	14,834,373
Recreation and cultural	1,489,081	1,286,701	-	-	1,489,081	1,286,701
Other governmental	-	2,174	-	-	-	2,174
Interest on long-term debt	317,147	349,726	-	-	317,147	349,726
Medical Care facility	-	-	10,493,607	9,183,020	10,493,607	9,183,020
Delinquent tax collections	-	-	279,275	299,849	279,275	299,849
Other business-type activities	<u>-</u>	<u>-</u>	<u>667,086</u>	<u>749,119</u>	<u>667,086</u>	<u>749,119</u>
<b>Total expenses</b>	<u>53,358,504</u>	<u>54,402,608</u>	<u>11,439,968</u>	<u>10,231,988</u>	<u>64,798,472</u>	<u>64,634,596</u>
Increase (decrease) in net assets						
before transfers	2,327,452	(311,129)	4,098,113	2,941,434	6,425,565	2,630,305
Transfers	<u>1,863,778</u>	<u>1,989,009</u>	<u>(1,864,117)</u>	<u>(1,989,009)</u>	<u>(339)</u>	<u>-</u>
Increase in net assets	4,191,230	1,677,880	2,233,996	952,425	6,425,226	2,630,305
Net assets - beginning, as restated	<u>38,371,300</u>	<u>36,738,420</u>	<u>26,867,484</u>	<u>25,915,059</u>	<u>65,238,784</u>	<u>62,653,479</u>
<b>Net assets - end of year</b>	<u><b>\$ 42,562,530</b></u>	<u><b>\$ 38,416,300</b></u>	<u><b>\$ 29,101,480</b></u>	<u><b>\$ 26,867,484</b></u>	<u><b>\$ 71,664,010</b></u>	<u><b>\$ 65,283,784</b></u>

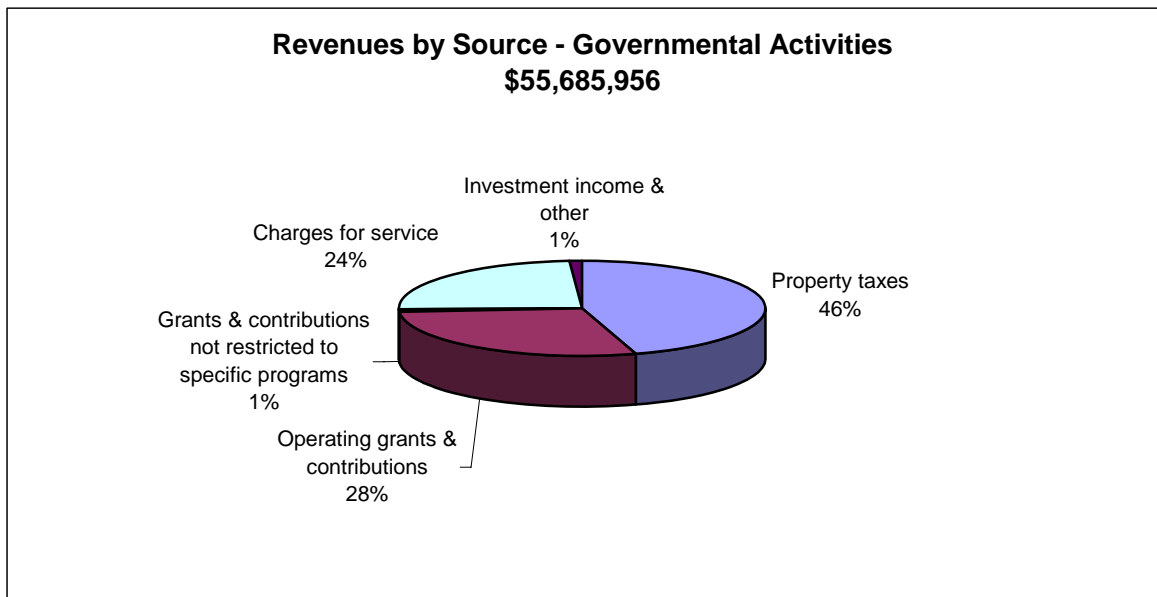
The County's net assets increased by \$6,425,226 during the current fiscal year; \$4,191,230 for governmental activities and \$2,233,996 for business-type activities.

**Governmental activities.** The increase in net assets of \$4,191,230 represents 65.2 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Charges for services increased approximately \$896,000 (6.7%) during the year due to significant increases recognized in the Public Safety area. Additional jail bed rental reimbursement for federal detainees was recognized due to an increase in the daily bed rental rate as of 8/1/06.
- Property taxes increased by approximately \$544,000 (2.2 %) during the year. This difference is mainly the result of increased taxable values accompanied by some residential growth.
- Unrestricted investment earnings increased by \$236,000 (20.9%) accounting for the majority of the increase to other general revenues.

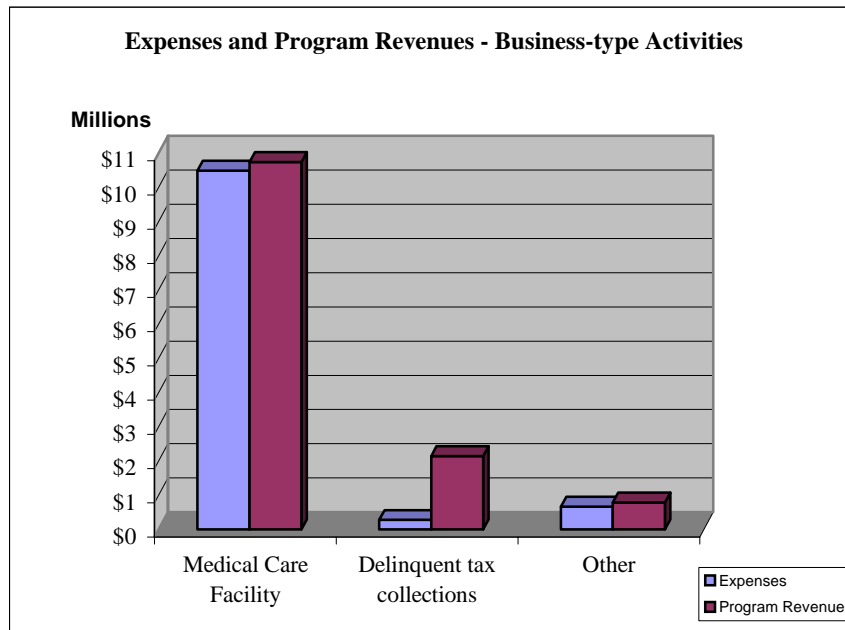


For the most part, a rise in expense for any given year closely parallels inflation, growth in the demand for services, and continuous rising fringe benefit costs. However, 2006 expenditures are \$1.04 million (2.0 percent) less than the prior year with the majority of savings in the Health and Welfare activities. The Child Care Fund decreased private institution placement costs and Department of Human Services (DHS) expenses; the Health Department experienced the dissolution or reduction of several Federal and State funded programs, which ultimately led to personnel decreases of 14 full-time equivalent employees (FTE's).



**Business-type activities.** Business-type activities increased the County's net assets by \$2,233,996, accounting for 34.8 percent of the total growth in the government's net assets for the current year. The key element of the current year increase is as follows:

- The Medical Care Facility contributed \$1,397,712 to the increase in net assets.
- The Delinquent Tax Revolving Fund contributed \$2.40 million to the increase in net assets before transfers but after a \$1.5 million transfer to the General Fund, the remaining contribution totaled \$902,793. This contribution is the result of the change in state law that increased the interest rate charged on delinquent taxes from 1 percent per month to 1.5 percent per month and, in addition, the County continues to enjoy favorable interest rates in borrowing to redeem delinquent taxes.



### **Financial Analysis of the County's Funds**

As noted earlier, The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15,530,756, an increase of \$3,749,334 in comparison with the prior year. Of the fund balance amount, \$15,414,733 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,912,949, while total fund balance was \$2,990,469. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 9.5 percent of total general fund expenditures thereby meeting the Board of Commissioners adopted policy, as well as the Government Finance Officer's Association recommended practices.

The fund balance of the County's General Fund increased by \$961,835 during the current fiscal year. This is primarily attributable to growth in property taxes, relative to government-wide governmental activities and, as previously discussed, additional jail bed rental reimbursement received for federal detainees as a result of the increase in the daily bed rental rate that began 8/1/06.

The Health Department showed a slight increase to fund balance during 2006 even though grant funding decreased by \$555,000 or 11.2 percent. Consequently, expenses were down by \$523,000 or 9.2 percent, mainly due to personnel reductions necessitated by the reduction of the revenue stream.

The Senior Millage fund increased their fund balance by \$10,000 during 2006 primarily due to a growth in interest earnings recorded. Total fund balance at the end of the year is \$769,974.

The Revenue Sharing Reserve fund has a total fund balance of \$9,767,852. Pursuant to Public Act 357 of 2004 required the County to establish a restricted fund and place one-third of the County's December 2004 property tax levy in the fund. Ultimately, a total of three annual payments have been placed in the fund to provide a funding mechanism to serve as a substitute for state revenue sharing. The county will draw down from the reserve fund, using an inflationary factor over the prior year amount, until the fund balance is exhausted, projected to be part-way through 2010.

The Child Care fund has no fund balance because the home-care expenditures (both inside and outside of the home) for children programs are fully funded by the state government, the federal government, and a County appropriation.

***Proprietary funds.*** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Delinquent Tax Revolving Fund at the end of the year amounted to \$7.1 million. The Medical Care Facility's unrestricted net assets were \$2.9 million, down \$4.5 million from previous year due to dedicated construction costs for facility renovations that began in 2006. Other factors concerning the finances of the delinquent tax fund have already been addressed in the discussion of the County's business-type activities.

### **General Fund Budgetary Highlights**

Revenues in the general fund (including transfers in) increased \$374,178 from the original to the final budget. This was primarily attributable to increased revenues for Sheriff Service fees and Collection fees relating to jail bed rental reimbursement and school fingerprinting revenue, respectively (\$247,000), transfers in from Internal Service Funds (\$67,000), and state grant revenue for Marine Safety and Cigarette Tax (\$39,000).

A corresponding \$374,178 increase in budgeted expenditures in the general fund (including transfers out) occurred from the original to final budget. This is mainly comprised of adjustments to Public Safety expenditures relating to personnel costs (overtime) and legal fees in the Sheriff's Office (\$231,000) as well as increased Capital Outlay costs (\$108,000) due to vehicle leases and IT related equipment. It should be noted that additional expenses in the Friend of the Court grant necessitated an increase to the transfer out however savings in other Judicial business units offset this transfer.

Overall during the year, both general fund revenues and expenditures were less than the final budget.

### **Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental activities as of December 31, 2006, amounted to \$34,921,534 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. The total increase in the County's investment in capital assets for the current fiscal year was \$2,122,229. The County's business-type activities include \$4,543,876 (net of accumulated depreciation).

Major capital asset acquisitions include renovations to County buildings, construction costs at the Medical Care Facility, vehicles, and information technology upgrades.

**THE COUNTY'S CAPITAL ASSETS**  
(Net of depreciation)

	Governmental activities	Business-type activities	Total
Land	\$ 1,266,264	\$ -	\$ 1,266,264
Construction in process	-	2,455,501	2,455,501
Buildings and improvements	30,869,631	1,938,682	32,808,313
Equipment and furniture	2,389,326	149,693	2,539,019
Vehicles	396,313	-	396,313
	<u>\$34,921,534</u>	<u>\$4,543,876</u>	<u>\$39,465,410</u>

Additional information on the County's capital assets can be found in note III.D. on pages 53-55 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total bonded debt outstanding of \$16,181,155. This entire amount comprises debt backed by the full faith and credit of the County.

**THE COUNTY'S OUTSTANDING DEBT**  
**General Obligation**

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 7,831,155	\$ 8,481,241	\$ 8,000,000	\$ -	\$ 15,831,155	\$ 8,481,241
Delinquent tax notes	-	-	350,000	500,000	350,000	500,000
	<u>\$ 7,831,155</u>	<u>\$ 8,481,241</u>	<u>\$ 8,350,000</u>	<u>\$ 500,000</u>	<u>\$ 16,181,155</u>	<u>\$ 8,981,241</u>

The County's total bonded debt increased by \$7,199,914 during the current fiscal year. The County retired debt of \$650,086 in general obligation bonds, issued general obligation bonds totaling \$8,000,000 on behalf of the Medical Care Facility, and decreased delinquent tax notes by \$150,000 during 2006.

The County has an "A" rating for both general obligation bonds and tax anticipation notes from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e., State Equalized Value). The current debt limitation for the County is \$430,437,237, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.H. on pages 58-63 of this report.

### **Economic Factors and Next Year's Budgets**

In order to maintain financial stability over the long term, the budgeting practice in the County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. Over the past 10 years, revenues have exceeded expenses 6 times and expenses have exceeded revenues 4 times. Over the 10-year period, the General Fund – fund balance has increased by \$441,100, allowing the County Board to address difficult economic times without yet having to resort to a crisis-management approach. It has permitted the County to utilize its annual budget process as the primary vehicle to make decisions on the type and level of County services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they are generally addressed through short-term expenditure reductions in the areas of controllable expenses, hiring delays, and deferrals of capital expenditures.

The following factors were considered in preparing the County's budget for the 2007 fiscal year:

- The economic downturn, stock market decline and flat housing sales have impacted fiscal operations. The rate of increase in taxable value of real and personal property in the County is increasing by 3 to 4 percent per year, whereas historically this rate has been as high as 6 to 8 percent. We anticipate that this trend will continue into the foreseeable future.
- Interest rates had been at a fairly low level over the past few years. Even though the rates have increased, the 2007 budget conservatively assumed no major increase in interest earnings over the levels attained in 2006.
- Insurance premiums, especially for governmental entities, have dramatically risen due to the extensive settlement payments related to September 11<sup>th</sup> and the subsequent stock market performance. The County is hoping that the premium activity will level off and included a minimal increase in costs for the coming year. National trends in escalating healthcare insurance costs have caused projections to point to a doubling of those costs over the next four to five years. Because the County is self-funded, an increase of approximately 33 percent was budgeted for the upcoming fiscal year, an increase necessary based on our claims experience.
- Under the Michigan Constitution, property tax growth for each parcel of property is limited to the rate of inflation or a maximum allowable increase in taxable value of 5.0%, whichever is smaller until a property changes ownership. For the 2007 budget, the applicable inflation rate is 3.7%. Property tax revenues are budgeted to increase mainly due to new construction being added to the tax rolls as well as transfers of ownership.

- The State of Michigan has been dealing with projected budgetary shortfalls for the past several years, and is projected to continue into the future, at least until 2008. The State has passed legislation that provides a funding mechanism to serve as a substitute for state revenue sharing payments. Annually, the County may make use of amounts equal to the 2003-04 State revenue sharing payments adjusted for inflation.
- The County has committed to maintaining a general fund balance that is at least 8.0% of operating expenditures.
- Inflationary trends in the region compare favorably to national indices.

### **Contacting the County's Financial Management**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The County Finance Department, 315 West Green Street, Marshall, Michigan 49068.



## BASIC FINANCIAL STATEMENTS

# GOVERNMENT-WIDE FINANCIAL STATEMENTS

# COUNTY OF CALHOUN, MICHIGAN

## Statement of Net Assets

December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 10,484,003	\$ 21,860,399	\$ 32,344,402	\$ 2,236,822
Investments	37,287	4,605,404	4,642,691	-
Receivables, net	14,497,388	8,478,438	22,975,826	17,025,217
Internal balances	(473,333)	473,333	-	-
Prepaid items and other assets	46,731	140,466	187,197	899,263
Capital assets not being depreciated	1,266,264	2,455,501	3,721,765	22,689,174
Capital assets being depreciated, net	33,655,270	2,088,375	35,743,645	23,062,089
 Total assets	 59,513,610	 40,101,916	 99,615,526	 65,912,565
<b>Liabilities</b>				
Accounts payable and accrued expenses	4,448,458	1,815,386	6,263,844	2,079,209
Unearned revenue	2,824,486	835,050	3,659,536	-
Long-term liabilities:				
Due within one year	2,323,617	350,000	2,673,617	1,893,072
Due in more than one year	7,354,519	8,000,000	15,354,519	15,619,202
 Total liabilities	 16,951,080	 11,000,436	 27,951,516	 19,591,483
<b>Net assets</b>				
Invested in capital assets, net of related debt	26,820,780	2,088,376	28,909,156	41,263,989
Restricted for:				
Debt service	47,707	9,117,462	9,165,169	-
State revenue sharing	9,767,852	-	9,767,852	-
Programs	2,725,992	7,815,975	10,541,967	-
Perpetual care - nonexpendable	36,546	-	36,546	-
Unrestricted	3,163,653	10,079,667	13,243,320	5,057,093
 Total net assets	 \$ 42,562,530	 \$ 29,101,480	 \$ 71,664,010	 \$ 46,321,082

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Activities**  
**For the Year Ended December 31, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 230,620	\$ 2,647	\$ -	\$ -	\$ (227,973)
Judicial	12,482,683	4,252,948	3,051,671	-	(5,178,064)
General government	6,577,864	1,508,235	1,635,957	-	(3,433,672)
Public safety	18,139,312	6,501,626	2,937,002	-	(8,700,684)
Public works	104,239	-	-	-	(104,239)
Health and welfare	14,017,558	786,829	7,145,855	-	(6,084,874)
Recreation and cultural	1,489,081	412,788	826,646	-	(249,647)
Interest on long-term debt	317,147	-	210,375	-	(106,772)
Total governmental activities	<u>53,358,504</u>	<u>13,465,073</u>	<u>15,807,506</u>	<u>-</u>	<u>(24,085,925)</u>
Business-type activities:					
Medical Care Facility	10,493,607	10,356,094	792,291	-	654,778
Delinquent tax collections/forfeitures	279,275	2,143,574	538,494	-	2,402,793
Other business-type activities	667,086	789,694	-	-	122,608
Total business-type activities	<u>11,439,968</u>	<u>13,289,362</u>	<u>1,330,785</u>	<u>-</u>	<u>3,180,179</u>
 Total primary government	 <u>\$ 64,798,472</u>	 <u>\$ 26,754,435</u>	 <u>\$ 17,138,291</u>	 <u>\$ -</u>	 <u>\$ (20,905,746)</u>
<b>Component units</b>					
County Drains	\$ 316,408	\$ -	\$ 28,390	\$ 772,328	\$ 484,310
County Roads	11,870,746	2,011,339	9,994,660	637,185	772,438
Board of Public Works	<u>1,124,687</u>	<u>24,496</u>	<u>1,084,424</u>	<u>-</u>	<u>(15,767)</u>
Total component units	<u>\$ 13,311,841</u>	<u>\$ 2,035,835</u>	<u>\$ 11,107,474</u>	<u>\$ 1,409,513</u>	<u>\$ 1,240,981</u>

continued...

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Activities (Concluded)**  
**For the Year Ended December 31, 2006**

Functions/Programs	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (24,085,925)	\$ 3,180,179	\$ (20,905,746)	\$ 1,240,981
General revenues:				
Property taxes	25,284,240	917,934	26,202,174	-
Grants and contributions not restricted to specific programs	486,774	-	486,774	-
Unrestricted investment earnings	636,463	-	636,463	76,858
Gain on sale of capital assets	5,900	-	5,900	-
Transfers - internal activities	1,863,778	(1,864,117)	(339)	-
Total general revenues and transfers	28,277,155	(946,183)	27,330,972	76,858
Change in net assets	4,191,230	2,233,996	6,425,226	1,317,839
Net assets, beginning of year, as restated	38,371,300	26,867,484	65,238,784	45,003,243
<b>Net assets, end of year</b>	<u>\$ 42,562,530</u>	<u>\$ 29,101,480</u>	<u>\$ 71,664,010</u>	<u>\$ 46,321,082</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

**COUNTY OF CALHOUN, MICHIGAN**

**Balance Sheet  
Governmental Funds  
December 31, 2006**

	<b>General Fund</b>	<b>Health Department</b>	<b>Senior Millage</b>	<b>Revenue Sharing Reserve</b>	<b>Child Care</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b><u>ASSETS</u></b>							
<b>Assets</b>							
Cash and cash equivalents	\$ 79,385	\$ 17,303	\$ 1,313,808	\$ 4,650,395	\$ -	\$ 1,686,277	\$ 7,747,168
Investments	-	-	-	-	-	37,287	37,287
Receivables:							
Accounts	376,900	50,742	-	-	-	134,988	562,630
Current taxes	800,139	-	2,487,044	5,155,005	-	-	8,442,188
Delinquent taxes	277,644	-	52,506	-	-	22,269	352,419
Accrued interest	1,995	-	-	30,922	-	2,692	35,609
Due from other governments	2,803,810	441,200	-	-	394,120	1,372,376	5,011,506
Due from other funds	281,891	-	-	207,204	-	125,811	614,906
Interfund receivable	731,760	-	-	-	-	-	731,760
Advances to component units	76,600	-	-	-	-	-	76,600
Prepaid items	920	-	-	-	-	1,957	2,877
<b><u>TOTAL ASSETS</u></b>	<b>\$ 5,431,044</b>	<b>\$ 509,245</b>	<b>\$ 3,853,358</b>	<b>\$ 10,043,526</b>	<b>\$ 394,120</b>	<b>\$ 3,383,657</b>	<b>\$ 23,614,950</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ 363,957	\$ 60,248	\$ 456,059	\$ -	\$ 88,161	\$ 1,028,103	\$ 1,996,528
Accrued wages and benefits	373,290	10,731	2,269	-	41,418	84,164	511,872
Due to other governments	619,046	69,231	-	-	-	50,000	738,277
Due to other funds	212,204	-	-	275,674	-	10,361	498,239
Interfund payables	-	-	-	-	263,159	468,601	731,760
Deferred revenue	872,078	66,322	2,625,056	-	1,382	42,680	3,607,518
<b>Total liabilities</b>	<b>2,440,575</b>	<b>206,532</b>	<b>3,083,384</b>	<b>275,674</b>	<b>394,120</b>	<b>1,683,909</b>	<b>8,084,194</b>
<b>Fund balances</b>							
Reserved for advances and prepaid items	77,520	-	-	-	-	1,957	79,477
Reserved for perpetual care	-	-	-	-	-	36,546	36,546
Unreserved:							
Designated for future years expenditures	343,200	-	-	-	-	-	343,200
Undesignated	2,569,749	302,713	769,974	9,767,852	-	-	13,410,288
Undesignated, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	1,535,279	1,535,279
Debt service funds	-	-	-	-	-	123,662	123,662
Permanent funds	-	-	-	-	-	2,304	2,304
<b>Total fund balances</b>	<b>2,990,469</b>	<b>302,713</b>	<b>769,974</b>	<b>9,767,852</b>	<b>-</b>	<b>1,699,748</b>	<b>15,530,756</b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 5,431,044</b>	<b>\$ 509,245</b>	<b>\$ 3,853,358</b>	<b>\$ 10,043,526</b>	<b>\$ 394,120</b>	<b>\$ 3,383,657</b>	<b>\$ 23,614,950</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**December 31, 2006**

Fund balances - total governmental funds	\$ 15,530,756
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets not being depreciated	1,266,264
Add: capital assets being depreciated	56,564,638
Deduct: accumulated depreciation	(25,639,913)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	783,032
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	3,583,813
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Certain liabilities, such as bonds and capital leases payable, are not due and payable in the current period, and therefore are not reported in the funds.

Deduct: bonds and capital leases payable, long-term portion	(7,170,873)
Deduct: bonds and capital leases payable, current portion	(701,850)
Deduct: compensated absences	(1,577,382)
Deduct: accrued interest on long-term liabilities	(75,955)

Net assets of governmental activities	<u><u>\$ 42,562,530</u></u>
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The accompanying notes are an integral part of these financial statements.



**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	<b>General Fund</b>	<b>Health Department</b>	<b>Senior Millage</b>	<b>Revenue Sharing Reserve</b>	<b>Child Care</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Revenue</b>							
Taxes and special assessments	\$ 16,449,007	\$ -	\$ 2,439,314	\$ 5,362,209	\$ -	\$ 918,446	\$ 25,168,976
Licenses and permits	76,368	306,682	-	-	-	14,855	397,905
Intergovernmental	2,972,748	3,635,746	-	-	2,248,435	5,293,830	14,150,759
Charges for services	10,918,876	197,030	-	-	178,816	591,095	11,885,817
Fines and forfeitures	1,039,297	-	-	-	-	27,281	1,066,578
Interest and rents	378,759	240,246	94,417	257,302	-	46,074	1,016,798
Other	1,033,703	-	4,253	-	-	1,066,514	2,104,470
Total revenue	32,868,758	4,379,704	2,537,984	5,619,511	2,427,251	7,958,095	55,791,303
<b>Expenditures</b>							
Current:							
Legislative	188,974	-	-	-	-	-	188,974
Judicial	8,072,594	-	-	-	-	3,466,275	11,538,869
General government	6,074,052	-	-	-	-	-	6,074,052
Public safety	12,970,217	-	-	-	-	2,970,042	15,940,259
Public works	104,239	-	-	-	-	-	104,239
Health and welfare	943,284	5,076,921	2,527,896	-	4,877,399	698,308	14,123,808
Recreation and cultural	-	-	-	-	-	1,430,257	1,430,257
Other	2,321,051	-	-	-	-	18,558	2,339,609
Debt service:							
Principal	9,261	16,730	-	-	-	650,086	676,077
Interest and fiscal charges	-	1,429	-	-	-	323,035	324,464
Capital outlay	161,241	65,640	-	-	1,749	854,291	1,082,921
Total expenditures	30,844,913	5,160,720	2,527,896	-	4,879,148	10,410,852	53,823,529
Revenue over (under) expenditures	2,023,845	(781,016)	10,088	5,619,511	(2,451,897)	(2,452,757)	1,967,774
<b>Other financing sources (uses)</b>							
Proceeds from capital leases	28,860	-	-	-	-	-	28,860
Transfers in	4,720,992	836,447	-	-	2,451,897	2,483,196	10,492,532
Transfers (out)	(5,811,862)	-	-	(2,710,000)	-	(217,970)	(8,739,832)
Total other financing sources (uses)	(1,062,010)	836,447	-	(2,710,000)	2,451,897	2,265,226	1,781,560
Net change in fund balances	961,835	55,431	10,088	2,909,511	-	(187,531)	3,749,334
Fund balances, beginning of year, as restated	2,028,634	247,282	759,886	6,858,341	-	1,887,279	11,781,422
<b>Fund balances, end of year</b>	<b>\$ 2,990,469</b>	<b>\$ 302,713</b>	<b>\$ 769,974</b>	<b>\$ 9,767,852</b>	<b>\$ -</b>	<b>\$ 1,699,748</b>	<b>\$ 15,530,756</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2006**

Net change in fund balances - total governmental funds \$ 3,749,334

Amounts reported for *governmental activities* in the statement of activities are different

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	1,082,921
Deduct: depreciation expense	(1,425,340)
Deduct: net book value of capital assets sold	(8,405)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: change in deferred property taxes and special assessments	115,264
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term-liabilities.

Add: principal payments on long-term liabilities	676,077
Deduct: proceeds from capital leases	(28,860)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: change in accrued interest on bonds	7,317
Deduct: increase in the accrual of compensated absences	(73,607)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities:

Add: interest revenue from governmental internal service funds	402
Deduct: net operating loss from governmental activities accounted for in internal service funds	(14,951)
Add: internal activities (transfers) accounted for in internal service funds	111,078

Change in net assets of governmental activities	\$ 4,191,230
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The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2006**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Revenue</b>					
Taxes:					
Property taxes	\$ 16,000,318	\$ 16,000,318	\$ 15,857,186	\$ (143,132)	\$ 15,499,160
Industrial/commercial facilities tax	348,015	348,015	507,652	159,637	391,732
Payment in lieu of taxes	24,500	24,500	38,357	13,857	18,070
Trailer fees	16,000	16,000	15,532	(468)	16,366
Interest and fees	8,000	8,000	30,280	22,280	8,219
Total taxes	16,396,833	16,396,833	16,449,007	52,174	15,933,547
Licenses and permits:					
Dog licenses	63,000	63,000	59,803	(3,197)	71,813
Concealed weapons licenses	17,645	17,645	11,570	(6,075)	16,536
Marriage licenses	5,620	5,620	4,995	(625)	5,090
Total licenses and permits	86,265	86,265	76,368	(9,897)	93,439
Intergovernmental:					
Emergency services	31,400	31,400	20,926	(10,474)	22,920
Circuit judges' salary	182,900	182,900	182,896	(4)	182,896
District judges' salary	182,900	182,900	182,896	(4)	182,896
Probate judges' salary	294,500	294,500	295,537	1,037	295,011
Sheriff	-	-	223	223	18,046
Juvenile officer grant	52,775	52,775	52,776	1	52,776
Marine safety	19,672	35,472	42,565	7,093	19,672
Liquor law enforcement	9,200	9,200	9,816	616	9,815
Liquor taxes	592,000	615,131	638,262	23,131	599,832
Cigarette taxes	81,000	81,325	81,494	169	86,254
Court equity program	1,105,000	1,105,000	1,056,235	(48,765)	1,079,017
ADC incentive	260,000	260,000	248,797	(11,203)	293,467
Juror fee reimbursement	80,000	80,000	75,325	(4,675)	85,275
Medical support program	85,000	85,000	85,000	-	81,250
Total intergovernmental	2,976,347	3,015,603	2,972,748	(42,855)	3,009,127
Charges for services:					
Circuit court fees	432,900	432,900	426,634	(6,266)	401,825
District court fees	2,394,291	2,394,291	2,421,232	26,941	2,227,980
Friend of the court fees	174,000	176,164	173,506	(2,658)	152,753
Probate court fees	65,750	65,750	60,068	(5,682)	57,805
Court services fees	125,650	125,650	-	(125,650)	16,478
Public defender fees	110,000	110,000	89,494	(20,506)	94,560
Election fees	21,100	21,100	27,545	6,445	32,474
Clerk/register fees	1,332,397	1,332,397	1,206,237	(126,160)	1,336,320
Prosecuting attorney fees	71,500	71,500	68,813	(2,687)	74,479
Equalization fees	6,000	6,000	9,742	3,742	7,127
Treasurer fees	8,000	8,000	11,194	3,194	27,283
Survey and remonumentation	18,600	18,600	19,145	545	19,665
Sheriff service fees	5,833,170	6,030,499	6,350,573	320,074	5,413,174
Collection fees	-	50,000	40,541	(9,459)	-
Cooperative extension fees	14,168	14,168	14,152	(16)	14,988
Total charges for services	10,607,526	10,857,019	10,918,876	61,857	9,876,911

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended December 31, 2006**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Revenue (continued)</b>					
Fines and forfeitures:					
Bond forfeitures	\$ 110,000	\$ 110,000	\$ 102,240	\$ (7,760)	\$ 117,941
Ordinance fines and costs	1,075,000	1,075,000	937,057	(137,943)	999,431
Total fines and forfeitures	1,185,000	1,185,000	1,039,297	(145,703)	1,117,372
Interest and rents:					
Interest on investments	325,000	325,000	378,759	53,759	316,649
Other:					
Vending commissions	600	600	325	(275)	656
Sale of equipment	20,000	20,000	14,305	(5,695)	12,509
Indirect cost reimbursements	370,680	370,680	384,541	13,861	380,220
Miscellaneous	665,386	672,383	634,532	(37,851)	573,130
Total other	1,056,666	1,063,663	1,033,703	(29,960)	966,515
Total revenue	32,633,637	32,929,383	32,868,758	(60,625)	31,313,560
<b>Expenditures</b>					
Legislative:					
Board of commissioners	168,640	190,389	188,974	(1,415)	185,610
Judicial:					
Circuit court	882,566	879,388	852,636	(26,752)	830,926
Circuit court - family	1,268,039	1,058,863	1,055,645	(3,218)	1,227,679
Indigent public defender	1,969,757	1,957,533	1,953,634	(3,899)	2,087,847
District court	3,295,832	3,268,930	3,256,335	(12,595)	3,048,077
Probate court	813,726	807,526	779,540	(27,986)	779,780
Circuit court probation	36,887	36,887	33,445	(3,442)	34,528
Court services	123,868	155,446	141,359	(14,087)	148,123
Total judicial	8,390,675	8,164,573	8,072,594	(91,979)	8,156,960
General government:					
Elections	170,471	170,471	142,270	(28,201)	168,125
Civil counsel	175,145	153,396	120,583	(32,813)	7,008
Clerk of the circuit court	505,495	505,495	483,456	(22,039)	475,653
Clerk/register	639,140	639,140	625,557	(13,583)	601,331
Administrator	314,968	315,568	310,680	(4,888)	311,465
Finance	453,883	453,883	408,006	(45,877)	459,324
Equalization	348,271	348,271	337,229	(11,042)	303,116
Personnel	243,273	244,773	235,173	(9,600)	233,013
Purchasing	53,369	53,654	53,653	(1)	52,569
Prosecuting attorney	2,304,459	2,295,359	2,261,893	(33,466)	2,327,493
Treasurer	523,482	523,482	478,186	(45,296)	484,008
Cooperative extension	180,109	180,291	178,130	(2,161)	173,379

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (Continued)**  
**General Fund**  
**For the Year Ended December 31, 2006**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Expenditures (continued)</b>					
General government (concluded):					
Drain commissioner	\$ 208,410	\$ 208,410	\$ 204,458	\$ (3,952)	\$ 204,461
Administrative services	113,093	113,093	112,424	(669)	145,532
Planning department	74,125	47,583	32,608	(14,975)	118,812
Emergency services	79,853	79,246	79,246	-	81,344
Soil conservation district	10,000	10,000	10,000	-	12,500
Homer lake mgmt assessment	-	-	-	-	1,963
Potawatomi RC&D	500	500	500	-	500
Total general government	6,398,046	6,342,615	6,074,052	(268,563)	6,161,596
Public safety:					
Sheriff - administration	557,763	658,378	662,495	4,117	684,881
Support service	314,210	314,210	285,741	(28,469)	376,212
Detective division	73,973	78,197	78,195	(2)	71,443
Road patrol	1,095,798	1,096,529	1,047,884	(48,645)	1,098,669
Tekonsha contract	57,493	61,307	61,305	(2)	49,310
Pennfield contract	666,606	694,353	694,353	-	701,690
Traffic safety	363,222	384,045	384,045	-	338,975
Sheriff training	95,491	95,491	77,623	(17,868)	85,558
Air National Guard	-	24,222	22,862	(1,360)	-
Convis Township contract	73,141	73,141	70,883	(2,258)	70,749
Civil process	106,546	106,546	102,783	(3,763)	94,310
COPS/DARE	42,505	42,505	35,054	(7,451)	32,333
Cold crime unit	-	-	-	-	60,842
Marine safety	59,640	64,698	65,553	855	59,374
Work program	132,039	80,084	80,084	-	87,884
Inmate cost recovery	-	32,503	32,503	-	-
Corrections/jail	9,153,986	9,220,486	8,914,055	(306,431)	8,771,849
Community corrections - administration	202,821	202,821	195,651	(7,170)	176,646
Drug enforcement	43,492	46,033	46,031	(2)	41,756
Animal control	129,464	123,664	113,117	(10,547)	124,052
Total public safety	13,168,190	13,399,213	12,970,217	(428,996)	12,926,533
Public works:					
Drain assessments	100,515	100,515	100,459	(56)	101,386
Board of public works	3,780	3,780	3,780	-	3,780
Total public works	104,295	104,295	104,239	(56)	105,166
Health and welfare:					
Substance abuse	296,000	319,131	319,131	-	299,916
Mental health	265,000	265,000	265,000	-	265,000
Medical examiner	181,209	184,316	184,316	-	170,840
Veteran's burials	51,000	51,000	49,275	(1,725)	49,650
Veteran's services	131,895	131,895	125,562	(6,333)	124,311
Total health and welfare	925,104	951,342	943,284	(8,058)	909,717

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual (Concluded)**  
**General Fund**  
**For the Year Ended December 31, 2006**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Expenditures (concluded)</b>					
Other - intergovernmental services	\$ 2,457,560	\$ 2,457,560	\$ 2,321,051	\$ (136,509)	\$ 2,385,234
Debt Service:					
Principal	-	9,262	9,261	(1)	-
Capital outlay	30,000	137,753	161,241	23,488	139,064
Total expenditures	31,642,510	31,757,002	30,844,913	(912,089)	30,969,880
Revenue over (under) expenditures	991,127	1,172,381	2,023,845	851,464	343,680
<b>Other financing sources (uses)</b>					
Proceeds from capital leases	-	-	28,860	28,860	-
Transfers in	4,664,462	4,742,894	4,720,992	(21,902)	4,974,613
Transfers (out)	(5,655,589)	(5,915,275)	(5,811,862)	103,413	(5,647,261)
Total other financing uses	(991,127)	(1,172,381)	(1,062,010)	110,371	(672,648)
Net change in fund balance	-	-	961,835	961,835	(328,968)
Fund balance, beginning of year	2,028,634	2,028,634	2,028,634	-	2,357,602
<b>Fund balance, end of year</b>	<b>\$ 2,028,634</b>	<b>\$ 2,028,634</b>	<b>\$ 2,990,469</b>	<b>\$ 961,835</b>	<b>\$ 2,028,634</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Health Department**  
**For the Year Ended September 30, 2006**  
**(With Comparative Actual Amounts for the Year Ended September 30, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Revenue</b>					
Licenses and permits	\$ 355,390	\$ 307,666	\$ 306,682	\$ (984)	\$ 330,537
Intergovernmental	3,834,562	3,700,261	3,635,746	(64,515)	4,239,066
Charges for services	263,256	218,499	197,030	(21,469)	253,014
Other	279,895	237,266	240,246	2,980	112,117
Total revenue	4,733,103	4,463,692	4,379,704	(83,988)	4,934,734
<b>Expenditures</b>					
Current:					
Health and welfare	5,422,890	5,218,425	5,076,921	(141,504)	5,589,418
Debt service:					
Principal	16,730	16,730	16,730	-	16,013
Interest and fiscal charges	1,430	1,430	1,429	(1)	2,147
Capital outlay	55,000	63,554	65,640	2,086	75,819
Total expenditures	5,496,050	5,300,139	5,160,720	(139,419)	5,683,397
Revenue over (under) expenditures	(762,947)	(836,447)	(781,016)	55,431	(748,663)
<b>Other financing sources (uses)</b>					
Transfers in	836,447	836,447	836,447	-	840,145
Transfers (out)	(157,500)	-	-	-	(25,000)
Total other financing sources (uses)	678,947	836,447	836,447	-	815,145
Net change in fund balance	(84,000)	-	55,431	55,431	66,482
Fund balance, beginning of year	247,282	247,282	247,282	-	180,800
<b>Fund balance, end of year</b>	<b>\$ 163,282</b>	<b>\$ 247,282</b>	<b>\$ 302,713</b>	<b>\$ 55,431</b>	<b>\$ 247,282</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Senior Millage**  
**For the Year Ended December 31, 2006**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Revenue</b>					
Taxes	\$ 2,456,036	\$ 2,456,036	\$ 2,439,314	\$ (16,722)	\$ 2,428,814
Interest and rentals	20,000	20,000	94,417	74,417	53,766
Other	4,000	4,000	4,253	253	5,343
Total revenue	2,480,036	2,480,036	2,537,984	57,948	2,487,923
<b>Expenditures</b>					
Current:					
Health and welfare	2,784,585	2,784,585	2,527,896	(256,689)	2,306,395
Capital outlay	-	-	-	-	1,483
Total expenditures	2,784,585	2,784,585	2,527,896	(256,689)	2,307,878
Net change in fund balance	(304,549)	(304,549)	10,088	314,637	180,045
Fund balance, beginning of year	759,886	759,886	759,886	-	579,841
<b>Fund balance, end of year</b>	<b>\$ 455,337</b>	<b>\$ 455,337</b>	<b>\$ 769,974</b>	<b>\$ 314,637</b>	<b>\$ 759,886</b>

The accompanying notes are an integral part of these financial statements.



**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Revenue Sharing Reserve**  
**For the Year Ended December 31, 2006**  
**(With Comparative Actual Amounts for the Year Ended December 31, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Revenue</b>					
Taxes	\$ 2,707,377	\$ 2,707,377	\$ 5,362,209	\$ 2,654,832	\$ 5,148,900
Interest and rentals	-	2,623	257,302	254,679	83,360
Total revenue	2,707,377	2,710,000	5,619,511	2,909,511	5,232,260
<b>Other financing sources (uses)</b>					
Transfers (out)	(2,707,377)	(2,710,000)	(2,710,000)	-	(2,623,427)
Net change in fund balance	-	-	2,909,511	2,909,511	2,608,833
Fund balance, beginning of year	6,858,341	6,858,341	6,858,341	-	4,249,508
<b>Fund balance, end of year</b>	<b>\$ 6,858,341</b>	<b>\$ 6,858,341</b>	<b>\$ 9,767,852</b>	<b>\$ 2,909,511</b>	<b>\$ 6,858,341</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**Child Care**

**For the Year Ended December 31, 2006**

**(With Comparative Actual Amounts for the Year Ended December 31, 2005)**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>	<b>2005</b>
<b>Revenue</b>					
Intergovernmental	\$ 2,431,834	\$ 2,431,834	\$ 2,248,435	\$ (183,399)	\$ 2,461,004
Charges for services	208,103	217,603	178,816	(38,787)	157,765
Total revenue	2,639,937	2,649,437	2,427,251	(222,186)	2,618,769
<b>Expenditures</b>					
Current:					
Health and welfare	5,426,065	5,433,565	4,877,399	(556,166)	5,354,383
Capital outlay	-	2,000	1,749	(251)	49,035
Total expenditures	5,426,065	5,435,565	4,879,148	(556,417)	5,403,418
Revenue over (under) expenditures	(2,786,128)	(2,786,128)	(2,451,897)	334,231	(2,784,649)
<b>Other financing sources</b>					
Transfers in	2,786,128	2,786,128	2,451,897	(334,231)	2,737,278
Net change in fund balances	-	-	-	-	(47,371)
Fund balance, beginning of year	-	-	-	-	47,371
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**

**Statement of Net Assets**

**Proprietary Funds**

**December 31, 2006**

	<b>Business-type Activities</b>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Medical Care Facility</b>	<b>Delinquent Tax Revolving Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,745,614	\$ 6,399,477	\$ 87,575	\$ 9,232,666	\$ 2,736,835
Restricted cash and cash equivalents	12,627,733	-	-	12,627,733	-
Investments	-	4,605,404	-	4,605,404	-
Receivables:					
Accounts, net	927,500	-	-	927,500	16,436
Property taxes	835,050	-	-	835,050	-
Property taxes-delinquent	-	5,367,819	-	5,367,819	-
Accrued interest	-	1,251,155	-	1,251,155	-
Due from other funds	-	275,400	-	275,400	-
Advances to other funds	-	314,600	-	314,600	-
Advances to component units	-	96,914	-	96,914	-
Inventory	-	-	-	-	7,595
Prepaid items and other assets	140,466	-	-	140,466	36,259
Total current assets	17,276,363	18,310,769	87,575	35,674,707	2,797,125
Capital assets, net	4,515,287	26,875	1,714	4,543,876	2,730,545
Total assets	21,791,650	18,337,644	89,289	40,218,583	5,527,670
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	741,239	-	55,823	797,062	317,614
Accrued payroll	294,765	46,808	-	341,573	15,355
Tax notes payable	-	350,000	-	350,000	-
Claims payable	-	-	-	-	792,857
Other accrued liabilities	561,260	-	-	561,260	-
Due to other governments	-	115,491	-	115,491	-
Due to individuals	-	-	-	-	-
Due to other funds	116,667	-	-	116,667	275,400
Advance from other funds	-	-	-	-	314,600
Unearned revenue	835,050	-	-	835,050	-
Current portion of capital leases payable	-	-	-	-	44,385
Total current liabilities	2,548,981	512,299	55,823	3,117,103	1,760,211
Long-term liabilities:					
Bonds payable	8,000,000	-	-	8,000,000	-
Capital leases payable	-	-	-	-	183,646
Total long-term liabilities	8,000,000	-	-	8,000,000	183,646
Total liabilities	10,548,981	512,299	55,823	11,117,103	1,943,857
<b>Net assets</b>					
Invested in capital assets, net of related debt	2,059,787	26,875	1,714	2,088,376	2,502,514
Restricted	6,282,775	10,650,662	-	16,933,437	-
Unrestricted	2,900,107	7,147,808	31,752	10,079,667	1,081,299
Total net assets	\$ 11,242,669	\$ 17,825,345	\$ 33,466	\$ 29,101,480	\$ 3,583,813

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Revenue, Expenses and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	<b>Business-type Activities</b>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Medical Care Facility</b>	<b>Delinquent Tax Revolving Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Operating revenue</b>					
Charges for services	\$ 10,356,094	\$ -	\$ 789,694	\$ 11,145,788	\$ 9,865,967
Interest on taxes	-	1,133,711	-	1,133,711	-
Administrative fees and penalties	-	1,009,863	-	1,009,863	-
Other revenue	392,081	190	-	392,271	56,601
Total operating revenue	10,748,175	2,143,764	789,694	13,681,633	9,922,568
<b>Operating expenses</b>					
Personnel services / administration	5,809,180	222,453	-	6,031,633	263,709
Cost of services	-	-	-	-	9,323,849
Depreciation	338,919	10,913	2,136	351,968	349,961
Other	4,345,508	-	664,950	5,010,458	-
Total operating expenses	10,493,607	233,366	667,086	11,394,059	9,937,519
Operating income (loss)	254,568	1,910,398	122,608	2,287,574	(14,951)
<b>Non-operating revenue</b>					
Taxes	917,934	-	-	917,934	-
Interest revenue	400,210	538,304	-	938,514	402
Interest and fiscal charges	-	(45,909)	-	(45,909)	-
Total non-operating revenue	1,318,144	492,395	-	1,810,539	402
Income (loss) before transfers	1,572,712	2,402,793	122,608	4,098,113	(14,549)
<b>Transfers</b>					
Transfers in	-	-	-	-	375,644
Transfers (out)	(175,000)	(1,500,000)	(189,117)	(1,864,117)	(264,566)
Total transfers	(175,000)	(1,500,000)	(189,117)	(1,864,117)	111,078
Change in fund net assets	1,397,712	902,793	(66,509)	2,233,996	96,529
Net assets, beginning of year	9,844,957	16,922,552	99,975	26,867,484	3,487,284
<b>Net assets, end of year</b>	<b>\$ 11,242,669</b>	<b>\$ 17,825,345</b>	<b>\$ 33,466</b>	<b>\$ 29,101,480</b>	<b>\$ 3,583,813</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	<b>Business-type Activities</b>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Medical Care Facility</b>	<b>Delinquent Tax Revolving Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 10,633,965	\$ 1,689,246	\$ 789,694	\$ 13,112,905	\$ -
Cash received from interfund services	-	-	-	-	9,916,344
Cash payments to suppliers	(10,276,662)	(588,947)	(717,015)	(11,582,624)	(8,225,401)
Cash payments to employees	-	-	-	-	(856,642)
Net cash provided by (used in) operating activities	357,303	1,100,299	72,679	1,530,281	834,301
<b>Cash flows from non-capital financing activities</b>					
Property taxes	917,934	-	-	917,934	-
Cash received on advances to other funds	-	(252,931)	-	(252,931)	-
Transfers in	-	-	-	-	375,644
Transfers (out)	(175,000)	(1,500,000)	(189,117)	(1,864,117)	(264,566)
Tax notes issued	-	3,000,000	-	3,000,000	-
Tax notes redeemed	-	(3,150,000)	-	(3,150,000)	-
Net cash provided by (used in) non-capital financing activities	742,934	(1,902,931)	(189,117)	(1,349,114)	111,078
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	(2,047,097)	(6,103)	-	(2,053,200)	(662,164)
Capital lease payments	-	-	-	-	(42,600)
Proceeds from long term debt	8,000,000	-	-	8,000,000	-
Net cash provided by (used in) capital and related financing activities	5,952,903	(6,103)	-	5,946,800	(704,764)
<b>Cash flows from investing activities</b>					
Purchase of investments	-	(1,864,047)	-	(1,864,047)	-
Interest received	400,210	492,395	-	892,605	402
Net cash provided by (used in) investing activities	400,210	(1,371,652)	-	(971,442)	402
Net increase (decrease) in cash and cash equivalents	7,453,350	(2,180,387)	(116,438)	5,156,525	241,017
Cash and cash equivalents, beginning of year	7,919,997	8,579,864	204,013	16,703,874	2,495,818
<b>Cash and cash equivalents, end of year</b>	<b>\$ 15,373,347</b>	<b>\$ 6,399,477</b>	<b>\$ 87,575</b>	<b>\$ 21,860,399</b>	<b>\$ 2,736,835</b>
<b>Reconciliation to the Statement of Net Assets</b>					
Cash and cash equivalents	\$ 2,745,614	\$ 6,399,477	\$ 87,575	\$ 9,232,666	\$ 2,736,835
Restricted cash and cash equivalents	12,627,733	-	-	12,627,733	-
	<b>\$ 15,373,347</b>	<b>\$ 6,399,477</b>	<b>\$ 87,575</b>	<b>\$ 21,860,399</b>	<b>\$ 2,736,835</b>

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	<b>Business-type Activities</b>				<b>Governmental Activities- Internal Service Funds</b>
	<b>Medical Care Facility</b>	<b>Delinquent Tax Revolving Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 254,568	\$ 1,910,398	\$ 122,608	\$ 2,287,574	\$ (14,951)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:					
Depreciation	338,919	10,913	2,136	351,968	349,961
Changes in assets and liabilities:					
Accounts receivable	(114,210)	-	-	(114,210)	(6,224)
Property taxes-delinquent	(128,476)	(326,014)	-	(454,490)	-
Accrued interest receivable	-	(128,504)	-	(128,504)	-
Due from other funds	-	(275,400)	-	(275,400)	-
Due from other governmental units	-	-	-	-	-
Advances to component units	-	(96,914)	-	(96,914)	-
Inventory	-	-	-	-	1,623
Prepaid items	(3,672)	-	-	(3,672)	20,457
Accounts payable	60,240	-	(52,065)	8,175	46,971
Accrued payroll	33,493	9,946	-	43,439	(1,954)
Claims payable	-	-	-	-	(89,913)
Other accrued liabilities	(147,442)	-	-	(147,442)	-
Due to other governments	-	(4,126)	-	(4,126)	-
Due to individuals	(9,269)	-	-	(9,269)	-
Advance from other funds	-	-	-	-	252,931
Interfund payable	-	-	-	-	275,400
Unearned revenue	73,152	-	-	73,152	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 357,303</b>	<b>\$ 1,100,299</b>	<b>\$ 72,679</b>	<b>\$ 1,530,281</b>	<b>\$ 834,301</b>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2006**

	<b><u>Pension Trust Funds</u></b>	<b><u>Agency Funds</u></b>
<b><u>ASSETS</u></b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 126,449	\$ 1,891,416
Investments:		
U.S. government securities	1,401,064	-
Corporate bonds	1,306,785	-
Mutual and cash management funds	3,347,591	-
Accounts receivable	2,357	209,204
	<u>6,184,246</u>	<u>2,100,620</u>
<b><u>TOTAL ASSETS</u></b>	<u>6,184,246</u>	<u>\$ 2,100,620</u>
 <b>Liabilities</b>		
Accounts payable	2,005	\$ 394,468
Due to individuals and agencies	-	1,088,664
Due to other government units	-	617,488
	<u>2,005</u>	<u>2,100,620</u>
Total liabilities	<u>2,005</u>	<u>\$ 2,100,620</u>
 <b>Net assets held in trust for</b>		
Retirement benefits	6,116,302	
Employee benefits	65,939	
	<u>6,182,241</u>	
Total net assets	<u>\$ 6,182,241</u>	

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**For the Year Ended December 31, 2006**

**Additions:**

Investment income:	
Interest and dividends	\$ 484,435
Contributions:	
Employer	740,089
Employee	1,216,782
Forfeitures	<u>10,000</u>
Total additions	<u>2,451,306</u>

**Deductions:**

Pension benefits paid to participants	269,306
Actuarial fees	19,403
Administrative fees	8,327
Refunds	166,595
Employee reimbursements	<u>198,759</u>
Total deductions	<u>662,390</u>
Net increase	1,788,916

**Net assets held in trust for pension benefits**

Beginning of year	<u>4,393,325</u>
End of year	<u><u>\$ 6,182,241</u></u>

The accompanying notes are an integral part of these financial statements.



**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Net Assets**  
**Component Units**  
**December 31, 2006**

	<b>Drain Commission</b>	<b>Road Commission</b>	<b>Board of Public Works</b>	<b>Land Bank Authority</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 450,124	\$ 726,314	\$ 1,007,326	\$ 53,058	\$ 2,236,822
Receivables, net	1,565,134	2,231,783	13,228,300	-	17,025,217
Property inventory	-	-	-	43,994	43,994
Prepaid items and other assets	-	855,269	-	-	855,269
Capital assets not being depreciated	-	22,689,174	-	-	22,689,174
Capital assets being depreciated, net	3,308,256	19,753,833	-	-	23,062,089
Total assets	5,323,514	46,256,373	14,235,626	97,052	65,912,565
<b>Liabilities</b>					
Accounts payable and accrued expenses	210,417	967,788	804,090	-	1,982,295
Advance from primary government	-	-	-	96,914	96,914
Long-term liabilities:					
Due within one year	334,179	718,893	840,000	-	1,893,072
Due in more than one year	1,435,263	1,998,939	12,185,000	-	15,619,202
Total liabilities	1,979,859	3,685,620	13,829,090	96,914	19,591,483
<b>Net assets</b>					
Invested in capital assets, net of related debt	1,538,814	39,725,175	-	-	41,263,989
Unrestricted	1,804,841	2,845,578	406,536	138	5,057,093
Total net assets	\$ 3,343,655	\$ 42,570,753	\$ 406,536	\$ 138	\$ 46,321,082

The accompanying notes are an integral part of these financial statements.

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Activities**  
**Component Units**  
**For the Year Ended December 31, 2006**

	<b>Drain Commission</b>	<b>Road Commission</b>	<b>Board of Public Works</b>	<b>Land Bank Authority</b>	<b>Total</b>
<b>Expenses</b>					
County Drains	\$ 316,408	\$ -	\$ -	\$ -	\$ 316,408
County Roads	-	11,870,746	-	-	11,870,746
Public Works	-	-	1,124,687	-	1,124,687
Total expenses	316,408	11,870,746	1,124,687	-	13,311,841
<b>Program revenues</b>					
Charges for services	-	2,011,339	24,496	-	2,035,835
Operating grants and contributions	28,390	9,994,660	1,084,424	-	11,107,474
Capital grants and contributions	772,328	637,185	-	-	1,409,513
Total program revenues	800,718	12,643,184	1,108,920	-	14,552,822
Net revenue	484,310	772,438	(15,767)	-	1,240,981
<b>General revenues</b>					
Unrestricted investment earnings	-	33,057	43,663	138	76,858
Change in net assets	484,310	805,495	27,896	138	1,317,839
Net assets, beginning of year, as restated	2,859,345	41,765,258	378,640	-	45,003,243
<b>Net assets, end of year</b>	<b>\$ 3,343,655</b>	<b>\$ 42,570,753</b>	<b>\$ 406,536</b>	<b>\$ 138</b>	<b>\$ 46,321,082</b>

The accompanying notes are an integral part of these financial statements.

# COUNTY OF CALHOUN, MICHIGAN

## Index

### Notes to the Financial Statements

For the Year Ended December 31, 2006

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	<u>PAGE</u>
<b>I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
A. Reporting Entity .....	38
B. Government-wide and Fund Financial Statements.....	40
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation .....	41
D. Assets, Liabilities and Equity .....	43
<b>II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</b>	
A. Budgetary Information .....	46
B. Excess of Expenditures over Appropriations .....	47
C. Deficit Fund Equity .....	47
<b>III. DETAILED NOTES ON ALL FUNDS</b>	
A. Deposits and Investments .....	48
B. Investments – Pension Trust Fund.....	49
C. Receivables.....	52
D. Capital Assets .....	53
E. Accounts Payable .....	55
F. Interfund Receivables, Payables and Transfers .....	55
G. Capital Leases.....	57
H. Long-term Debt .....	58
<b>IV. OTHER INFORMATION</b>	
A. Risk Management / Self-Insurance Programs .....	64
B. Property Taxes.....	67
C. Employee Retirement System and Plans .....	67
D. Other Postemployment Benefits.....	73
D. Contingent Liabilities .....	74
E. Restatements.....	74

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Calhoun, Michigan (the “County” or “government”) was incorporated in 1829 and covers an area of approximately 710 square miles in southern lower Michigan. The County operates under a 7-member elected Board of Commissioners and an appointed County Administrator/Controller. The County seat is located in the City of Marshall.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

#### A. Reporting entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

##### Blended Component Unit

**Calhoun County Building Authority** - The Building Authority is governed by a three-member board appointed by the Calhoun County Board of Commissioners. Its sole function is to oversee the financing and construction, if any, of the County’s public buildings; therefore, it is reported as if it were part of the primary government. It has been reported as a debt service fund.

##### Discretely Presented Component Units

**Calhoun County Drain Commission (the “Drain Commission”)** - All drainage districts established pursuant to the Michigan Drain Code of 1956, as amended, are separate legal entities with the power to contract, to sue and be sued, and to hold, manage and dispose of real and personal property. The statutory governing board of Chapter 20 drainage districts consists of the Drain Commissioner, the Chair of the County Board of Commissioners and one other member of the County Board of Commissioners.

The statutory governing board of Chapter 5 and 6 drainage districts consists of the Michigan Director of Agriculture and the Drain Commissioner of each county involved in the project. The County Drain Commission has sole responsibility to administer Chapter 3 and 4 drainage districts. A drainage board or drain commissioner, on behalf of the drainage district, may issue debt and levy special assessments without the prior approval of the County. The full faith and credit of the County may be given for the debt of a drainage district.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

---

Also, pursuant to the Inland Lake Level Act of 1961, after the Circuit Court of the County establishes a lake level, the Drain Commissioner has the responsibility to maintain that level with control structures and/or pumps. The Drain Commissioner may issue debt and levy special assessments to defray the expenses required to maintain the Court ordered lake levels. The Drain Commission has a December 31 year end.

**Calhoun County Road Commission (the “Road Commission”)** - The Road Commission, established pursuant to State statute, is governed by a three-member board appointed by the County. Its receipts are deposited with the County Treasurer, who invests certain of those deposits. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, such taxes would be levied under the taxing authority of the County and included as part of the County’s total tax levy as well as reported by the Road Commission. The Road Commission has a December 31 year end.

**Calhoun County Board of Public Works (the “BPW”)** - The BPW is governed by a three-member board appointed by the County. It is responsible for administering various public works construction projects and the associated debt service funds under the provisions of Act 195, Public Acts of 1957, as amended, as well as an internal service (i.e., “revolving”) fund. All of the BPW’s contractual agreements, including construction project bond issuances, require County approval. The BPW has a December 31 year end.

**Calhoun County Land Bank Authority (the “Land Bank Authority”)** - The Land Bank Authority is a public corporation, organized pursuant to Michigan Land Bank Fast Track Public Act 258 and an Intergovernmental Agreement entered into between the Michigan Land Bank Fast Track Authority and the Calhoun County Treasurer. The Land Bank Authority is governed by a seven-member board including the Calhoun County Treasurer, who is, by law, its Chairperson. The Land Bank Authority was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties.

Complete financial statements for each of the following discretely presented component units may be obtained at the entity’s administrative offices.

**Calhoun County Road Commission**

13300 Fifteen Mile Road  
Marshall, Michigan 49068

**Calhoun County Board of Public Works**

13300 Fifteen Mile Road  
Marshall, Michigan 49068

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### **Calhoun County Land Bank Authority**

315 W. Green Street

Marshall, Michigan 49068

Funds With Other Year Ends – The financial statements of the Health Department special revenue fund are presented in the accompanying financial statements using its fiscal year end of September 30, 2006.

### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, State revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *health department fund* accounts for the activities of delivering health services to residents.

The *senior millage special revenue fund* accounts for the activities of providing senior citizen services where financing is provided by a County tax levy.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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The *revenue sharing reserve special revenue fund* accounts for accelerated property taxes collections held for the replacement of future state shared revenues.

The *child care special revenue fund* accounts for the in-home-care programs and out-of-home child care of children where the financing is provided by state grants and County appropriations.

The County reports the following major proprietary funds:

The *Medical Care Facility fund* is used to account for the operation of the Calhoun County Medical Care Facility. Financing is provided through charges for services, Medicare and Medicaid reimbursements, and general fund appropriations.

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County, and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

Additionally, the County reports the following fund types:

*Special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

*Debt service funds* account for the servicing of long-term debt not being financed by proprietary funds.

*Permanent fund*. This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's cemetery.

*Enterprise funds*. These funds account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services (such as building and grounds care, administrative services, insurance, and employee benefits) to other departments or agencies of the County on a cost-reimbursement basis.

The *pension trust funds* are accounted for in essentially the same manner as proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the County's defined benefit pension plan, the 401(k) pension plan and the Flexible Benefit Plan.



# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, liabilities and equity**

#### ***1. Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value, which is determined as follows: a) short-term investments are reported at cost, which approximates fair value; b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; c) investments that do not have established market values are reported at estimated fair value; and d) cash deposits are reported at carrying amount, which reasonably approximates fair value.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

### **2. *Receivables and payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds or component units are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

### **3. *Inventories and prepaid items***

All inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. *Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

In the case of the initial capitalization of general infrastructure assets (i.e. – those reported in the Drain Commission and Road Commission component units), the component units each chose to include all items retroactively to 1980.

Capital assets of the primary government and Drain Commission component unit are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Drain and lake level infrastructure	50
Vehicles	3-20
Equipment	5-10

Capital assets in the Road Commission discretely presented component unit are depreciated as follows:

	<u>Methods</u>	<u>Useful Lives- Years</u>
Buildings and improvements	Straight-line	40
Road equipment	Sum of years-digits	5-8
Other equipment	Straight-line	5-8
Infrastructure	Straight-line	8-50

### 5. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave as it does not vest. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### **6. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **7. *Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In the government-wide financial statements, governmental activities report net assets restricted for programs, which represent amounts restricted by federal and state mandates.

## **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end.

On or before the first Monday in August of each year, all departments and agencies of the government submit requests for appropriations to the County Administrator so that a budget may be prepared. Prior to December 31, the proposed budget is presented to the County Board of Commissioners for review, public hearings and eventual adoption through passage of an annual budget ordinance.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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The appropriated budget is prepared by fund, function and activity for the General Fund and by fund and function for the special revenue funds. The government's administrator may make transfers of appropriations less than or equal to \$20,000 between General Fund activities and between special revenue fund functions. Transfers of appropriations between General Fund activities or special revenue fund functions greater than \$20,000 require the approval of the Board of Commissioners. The legal level of budgetary control is the activity level for the General Fund and the function level for the special revenue funds. The Board of Commissioners made several supplemental budgetary appropriations during the year which were not considered material.

### B. Excess of expenditures over appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended December 31, 2006, the following activities of the General Fund and functions of special revenue funds had expenditures in excess of appropriations as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public safety:			
Sheriff - administration	\$ 658,378	\$ 662,495	\$ 4,117
Marine safety	64,698	65,553	855
Capital outlay	137,753	161,241	23,488
Special Revenue Funds			
Health Department:			
Capital outlay	63,554	65,640	2,086

### C. Deficit fund equity

At year end, the County had the following deficit fund balance:

<b>Special Revenue Funds -</b>	
Parks	\$ 113,765

During 2006, the County updated the status of this deficit with the Michigan Department of Treasury. The original deficit elimination plan for the Parks fund was filed with the State in 2002.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and investments

Following is a reconciliation of deposit and investments balances (including both pooled cash and investments) as of December 31, 2006:

**Statement of Net Assets:**

Primary government:	
Cash and cash equivalents	\$ 32,344,402
Investments	4,642,691
Component units:	
Cash and cash equivalents	2,236,822

**Statement of Fiduciary Net Assets**

Pension trust funds:	
Cash and cash equivalents	126,449
Investments	6,055,440
Agency fund:	
Cash and cash equivalents	<u>1,891,416</u>

**Total** **\$ 47,297,220**

**Deposits and investments:**

Bank deposits	\$ 29,838,104
Investments	11,392,731
Investments – pension trust funds	6,055,440
Cash on hand	<u>10,945</u>

**Total** **\$ 47,297,220**

The County chooses to disclose its investments by specifically identifying each. As of year end, the County had the following investments.

	<b>Carrying Amount (Fair Value)</b>	<b>Credit Rating</b>
<b>Investment:</b>		
Commercial paper – Citigroup Funding	\$ 2,900,402	A1+ (S&P)
Governmental money market:		
LaSalle Bank	7,875,350	AAAm (S&P)
Comerica Bank	<u>616,979</u>	Not rated
	<b><u>\$ 11,392,731</u></b>	

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy limits investment maturities of commercial paper to 270 days as a means of managing its exposure to fair value losses arising from increasing interest rates. The County's investment in commercial paper adheres to the 270-day maturity requirement.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the County's investments.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. At year end, the carrying amount of the County's deposits was \$29,838,104. As of year end, \$30,036,605 of the combined bank balance of \$30,905,705 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The County's investment policy does not specifically address this risk, although the County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk. Short-term investments in money market funds and open end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

### **B. Investments – Pension Trust Fund**

The investments of the County's pension trust fund are maintained separately from the County's investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension investments are presented separately.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust fund to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Plan's investment policy authorizes the pension trust fund to invest in time, savings and money market deposit accounts, certain government and debt securities, commercial paper, and certain debt and equity mutual funds. The retirement board has the responsibility and authority to oversee the investment portfolio. All investment decisions are subject to Michigan law and the investment policy established by the retirement board.

The investments of the pension trust fund are held in a bank-administered trust fund. Following is a summary of the pension investments as of December 31, 2006:

**Investments at fair value, as determined by  
quoted market price:**

Equity securities:

Open end mutual funds	\$ 1,402,466
Exchange traded mutual funds	<u>1,510,336</u>
	<u>2,912,802</u>

Debt securities:

U.S. treasury notes	303,394
U.S. agencies	1,097,670
Corporate bonds	1,306,785
Money market funds	<u>434,789</u>
	<u>3,142,638</u>

**Total** \$ 6,055,440

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

As of December 31, 2006, maturities of the County's pension debt securities were as follows:

	Fair Value	Investment Maturities (Fair Value)		
		Less Than 1	1 - 5	6 - 10
U.S. treasury notes	\$ 303,394	\$ -	\$ 99,764	\$ 203,630
U.S. agencies	1,097,670	199,533	501,257	396,880
Corporate bonds	1,306,785	100,536	503,442	702,807
	<u>\$ 2,707,849</u>	<u>\$ 300,069</u>	<u>\$ 1,104,463</u>	<u>\$ 1,303,317</u>



# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy provides that investments in commercial paper be rated P1 by Moody's or A1 by Standard & Poor's and corporate debt issues (bonds, notes, debentures) be rated in the highest two categories by either Moody's Standard & Poor's, or Fitch's Manual.

As of December 31, 2006, all of the Plan's investments in U.S. agencies were rated AAA by Standard & Poor's.

As of December 31, 2006, the Plan's investments in corporate bonds were rated by Standard & Poor's as follows:

AAA	\$ 102,145
AA+	50,183
AA	198,881
AA-	608,880
A+	346,696
	<u>\$ 1,306,785</u>

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan's investment policy does not specifically address custodial credit risk. Although uninsured and unregistered, the Plan's investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department or agent in the Plan's name. Short-term investments in money market funds and open end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book form.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy does not specifically limit the amount of the Plan's investments in a single issuer.

As of December 31, 2006, the Plan's investment portfolio was concentrated as follows:

Issuer	% of Portfolio
Equity securities:	
I Shares S&P 500 Index Fund	16.35%
Vanguard / Windsor Fund Incorporated	14.89%
U.S. agencies:	
Federal National Mortgage Association	9.94%

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### C. Receivables

Receivables in the governmental activities are as follows:

Taxes	\$ 8,794,607
Accounts	579,066
Due from other governments	5,011,506
Advance to component unit	76,600
Accrued interest	<u>35,609</u>
	<b><u>\$ 14,497,388</u></b>

Receivables in the business-type activities are as follows:

Taxes	\$ 6,202,869
Accounts	927,500
Advance to component unit	96,914
Accrued interest	<u>1,251,155</u>
	<b><u>\$ 8,478,438</u></b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<b><u>Unavailable</u></b>	<b><u>Unearned</u></b>
Property taxes receivable (current)	\$ 435,960	\$ 2,727,333
Property taxes receivable (delinquent)	347,072	-
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>97,153</u>
	<b><u>\$ 783,032</u></b>	<b><u>\$ 2,824,486</u></b>

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### D. Capital assets

Capital assets activity for the year ended December 31, 2006 was as follows:

#### Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 1,266,264	\$ -	\$ -	\$ 1,266,264
Capital assets, being depreciated:				
Buildings and improvements	47,499,102	609,109	-	48,108,211
Equipment and furniture	13,689,149	1,006,969	-	14,696,118
Vehicles	1,681,499	129,004	104,440	1,706,063
Total capital assets, being depreciated	62,869,750	1,745,082	104,440	64,510,392
Less accumulated depreciation for:				
Buildings and improvements	16,242,390	996,190	-	17,238,580
Equipment and furniture	11,688,824	617,968	-	12,306,792
Vehicles	1,244,642	161,143	96,035	1,309,750
Total accumulated depreciation	29,175,856	1,775,301	96,035	30,855,122
Total capital assets, being depreciated, net	33,693,894	(30,219)	8,405	33,655,270
<b>Governmental activities capital assets, net</b>	<b>\$ 34,960,158</b>	<b>\$ (30,219)</b>	<b>\$ 8,405</b>	<b>\$ 34,921,534</b>

#### **Business-type Activities**

Capital assets, not being depreciated:				
Construction in process	\$ -	\$ 2,455,501	\$ -	\$ 2,455,501
Capital assets, being depreciated:				
Land improvements	116,596	-	-	116,596
Buildings and improvements	6,518,153	4,420	-	6,522,573
Equipment and furniture	2,043,097	52,900	-	2,095,997
Total capital assets, being depreciated	8,677,846	57,320	-	8,735,166
Less accumulated depreciation for:				
Land improvements	81,030	8,157	-	89,187
Buildings and improvements	4,387,303	223,997	-	4,611,300
Equipment and furniture	1,826,490	119,814	-	1,946,304
Total accumulated depreciation	6,294,823	351,968	-	6,646,791
Total capital assets, being depreciated, net	2,383,023	(294,648)	-	2,088,375
<b>Business-type activities capital assets, net</b>	<b>\$ 2,383,023</b>	<b>\$ 2,160,853</b>	<b>\$ -</b>	<b>\$ 4,543,876</b>

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### Component Unit – Drain Commission

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Infrastructure	\$ 3,814,477	\$ 153,855	\$ -	\$ 3,968,332
Less accumulated depreciation	583,786	76,290	-	660,076
<b>Drain Commission capital assets, net</b>	<b>\$ 3,230,691</b>	<b>\$ 77,565</b>	<b>\$ -</b>	<b>\$ 3,308,256</b>

### Component Unit – Road Commission

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets not being depreciated:</b>				
Land	\$ 484,292	\$ -	\$ -	\$ 484,292
Land improvements - infrastructure	21,643,829	561,053	-	22,204,882
<b>Total capital assets not     being depreciated</b>	<b>22,128,121</b>	<b>561,053</b>	<b>-</b>	<b>22,689,174</b>
<b>Capital assets being depreciated:</b>				
Land improvements	72,387	-	-	72,387
Buildings and improvements	1,739,615	-	-	1,739,615
Road equipment	9,015,978	108,862	-	9,124,840
Shop equipment	246,657	-	-	246,657
Office equipment	428,118	34,905	-	463,023
Engineers' equipment	76,115	-	-	76,115
Yard and storage	814,254	-	-	814,254
Depleteable assets	147,667	-	-	147,667
Infrastructure - roads and signals	31,435,142	840,740	-	32,275,882
Infrastructure - bridges	6,710,610	148,079	-	6,858,689
<b>Total capital assets being depreciated</b>	<b>50,686,543</b>	<b>1,132,586</b>	<b>-</b>	<b>51,819,129</b>
<b>Accumulated depreciation and depletion</b>				
Buildings and improvements	1,476,776	52,903	-	1,529,679
Equipment	9,207,628	338,177	-	9,545,805
Depleteable assets	112,544	-	-	112,544
Infrastructure - roads and signals	16,972,970	1,291,634	-	18,264,604
Infrastructure - bridges	2,403,189	209,475	-	2,612,664
<b>Total accumulated depreciation     and depletion</b>	<b>-</b>	<b>1,892,189</b>	<b>-</b>	<b>32,065,296</b>
<b>Total capital assets being depreciated - net</b>	<b>20,513,436</b>	<b>(759,603)</b>	<b>-</b>	<b>19,753,833</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 42,641,557</b>	<b>\$ (198,550)</b>	<b>\$ -</b>	<b>\$ 42,443,007</b>

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

Legislative	\$ 3,244
Judicial	286,599
General government	67,913
Public safety	863,191
Health and welfare	167,587
Recreation and culture	36,806
Capital assets held by the government's internal service funds are charged to the various functions bases on usage of the assets	<u>349,961</u>

**Total depreciation expense - governmental activities** \$ 1,775,301

**Business-type activities:**

Medical Care Facility	\$ 338,919
Delinquent Tax Collection	10,913
Property Description	<u>2,136</u>

**Total depreciation expense - business-type activities** \$ 351,968

Depreciation expense was charged to the Public Works function in the year 2006 for the Drain Commission and Road Commission component units.

**E. Accounts payable**

Accounts payable and accrued liabilities in the governmental activities are as follows:

Accounts payable	\$ 2,314,142
Accrued payroll	527,227
Due to other governments	738,277
Claims incurred but not reported	792,857
Accrued interest on long-term debt	<u>75,955</u>
<b>Total</b>	<u><u>\$ 4,448,458</u></u>

**F. Interfund receivables, payables and transfers**

The Delinquent Tax Revolving Enterprise fund has made long-term advances to the Building and Grounds Internal Service fund in the amount of \$314,600 and the Land Bank Authority component unit in the amount of \$96,914.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

In addition, the Child Care Special Revenue fund and certain nonmajor governmental funds with negative balances in the County's pooled cash accounts of \$263,159 and \$420,638, respectively, reported interfund payables, which are equal to the interfund receivables of \$ 683,797 reported in the General Fund.

Interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At December 31, 2006, due to/due from other funds consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
<b>Due from/to other funds:</b>		
General Fund	\$ 281,891	\$ 212,204
Revenue Sharing Reserve	207,204	275,674
Non-major Governmental Funds	125,811	10,361
Medical Care Facility	-	116,667
Delinquent Tax Revolving	275,400	-
Internal Service Funds	-	275,400
	<u>\$ 890,306</u>	<u>\$ 890,306</u>

For the year ended December 31, 2006, interfund transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,720,992	\$ 5,811,862
Health Department	836,447	-
Revenue Sharing Reserve	-	2,710,000
Child Care	2,451,897	-
Non-major Governmental Funds	2,483,196	217,970
Internal Service Funds	375,644	264,566
Medical Care Facility	-	175,000
Delinquent Tax Revolving Fund	-	1,500,000
Nonmajor Enterprise Fund	-	189,117
Adjustment for different fiscal year end	339	-
	<u>\$ 10,868,515</u>	<u>\$ 10,868,515</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### G. Capital Leases

The government has entered into four lease agreements for financing the acquisition of phone equipment and seven vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases in governmental activities are as follows:

Capital asset:	
Equipment and furniture	\$ 321,482
Vehicles	95,860
Less accumulated depreciation for:	
Equipment and furniture	(114,815)
Vehicles	<u>(36,386)</u>
<b>Total</b>	<b><u>\$ 266,141</u></b>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

#### **Year Ending** **December 31**

2007	\$ 90,357
2008	71,895
2009	58,171
2010	52,926
2011	<u>39,695</u>
Total minimum lease payments	313,044
Less: amount representing interest	<u>(43,445)</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 269,599</u></b>

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### H. Long-term debt

#### Primary government

##### Governmental activities

**General obligation bonds.** The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. No general obligation bonds were issued during the current year.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Installments</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities: County Building Authority – \$2,375,000 and \$11,190,000 issues for Buildings	\$805,000 to 2,073,283	3.95 to 5.20%	<u><b>\$ 7,831,155</b></u>

Annual debt service requirements to maturity for governmental activities general obligation bonds are as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 676,462	\$ 290,269	\$ 966,731
2008	532,164	260,165	792,329
2009	559,711	232,914	792,625
2010	593,286	204,095	797,381
2011	623,392	172,738	796,130
2012-2016	3,286,140	769,423	4,055,563
2017-2018	1,560,000	79,250	1,639,250
	<u><b>\$ 7,831,155</b></u>	<u><b>\$ 2,008,854</b></u>	<u><b>\$ 9,840,009</b></u>



# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### Business-type activities

**Delinquent tax notes.** The government issues delinquent tax notes to finance the purchase of delinquent real property taxes receivable from each taxing district in the County. These notes are reported in the proprietary funds (i.e., Delinquent Tax Revolving Enterprise Fund) as they are expected to be repaid from proprietary fund revenues. Each series of delinquent tax notes are subject to variable interest rates which are determined on a weekly basis by the County's remarketing agent using established criteria and legal limitations. Principal and interest payments are predicated upon actual collections of delinquent property taxes, which are subject to collection over a period not to exceed three years. Delinquent tax notes outstanding at December 31, 2006, are as follows:

<u>Series</u>	<u>Amount</u>
2006 - \$3,000,000 G.O. Limited Tax Notes payable, dated May 18, 2006	<u>\$ 350,000</u>

**General obligation bonds.** The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. During the current year, \$8,000,000 in Building Authority Bonds was issued for the Medical Care Facility.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds are typically issued as 10-20 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Installments</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities: County Building Authority – \$8,000,000 issue for Medical Care Facility improvements	\$200,000 to 700,000	3.70 to 4.00%	<u>\$ 8,000,000</u>

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for business type activities general obligation bonds are as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ -	\$ 288,727	\$ 288,727
2008	200,000	310,975	510,975
2009	200,000	302,975	502,975
2010	250,000	293,975	543,975
2011	250,000	283,975	533,975
2012-2016	1,700,000	1,234,875	2,934,875
2017-2021	2,300,000	847,838	3,147,838
2022-2026	3,100,000	323,725	3,423,725
	<b>\$ 8,000,000</b>	<b>\$ 3,887,065</b>	<b>\$ 11,887,065</b>

### Drain Commission component unit

**Notes payable.** The Drain Commission issues notes payable for the construction or major maintenance of drainage and lake level districts. Such notes are repaid from special assessments to local property owners.

	<b><u>Due</u></b>	<b><u>Installments</u></b>	<b><u>Interest Rate</u></b>	<b><u>Amount</u></b>
Various drain and lake level notes payable	2004- 2013	\$125,850 to \$423,475	Various	\$ <b><u>1,769,442</u></b>

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

Annual debt service requirements to maturity for drain notes are as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 334,179	\$ 41,839	\$ 376,018
2008	214,379	26,616	240,995
2009	470,466	114,118	584,584
2010	263,367	49,056	312,423
2011	311,667	68,164	379,831
2012-2016	175,384	42,086	217,470
	<b><u>\$1,769,442</u></b>	<b><u>\$ 341,879</u></b>	<b><u>\$ 2,111,321</u></b>

### **Road Commission component unit**

***Michigan Department of Transportation bonds.*** The Road Commission borrows from the Michigan Transportation Bond Fund to finance various capital projects.

	<b><u>Due</u></b>	<b><u>Interest Rate</u></b>	<b><u>Amount</u></b>
Michigan Transportation Fund Bonds:			
1998 Series	2008	4.15%	\$ 95,000
2002 A and B Series	2012	3.15% to 6.15%	810,000
2003 Series	2013	3.25% to 4%	655,000
2005 Series	2015	3.00% to 4.05%	605,000
			<b><u>\$ 2,165,000</u></b>

***Leases payable.*** The Road Commission has outstanding machinery and equipment capital leases. The current principal balance of \$130,960 is payable in semi-annual installments of \$134,031, including interest at 4.50%, maturing 2007.

***Contracts payable.*** The Road Commission has two contracts payable for building and land, and for sewer construction costs. These contracts are repayable at 6% and 3% interest rates through 2012, and amounted to \$298,743 at December 31, 2006.

Annual debt service requirements to maturity for Michigan Department of Transportation bonds, contracts payable and leases, are as follows:

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

Year ending December 31,	Bonds		Installment Leases		Contracts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 305,000	\$ 80,363	\$ 130,960	\$ 3,071	\$ 282,933	\$ 20,480	\$ 718,893	\$ 103,914
2008	315,000	69,177	-	-	3,400	395	318,400	69,572
2009	280,000	57,388	-	-	3,400	310	283,400	57,698
2010	290,000	46,903	-	-	3,400	225	293,400	47,128
2011	305,000	76,362	-	-	3,400	140	308,400	76,502
2012-2015	670,000	40,671	-	-	2,210	55	672,210	40,726
	<b>\$ 2,165,000</b>	<b>\$ 330,193</b>	<b>\$ 130,960</b>	<b>\$ 3,071</b>	<b>\$ 298,743</b>	<b>\$ 21,410</b>	<b>\$ 2,594,703</b>	<b>\$ 278,312</b>

### Board of Public Works Component Unit

The Board of Public Works (BPW) works through the County and issues general obligation bonds to finance water and sewer infrastructure projects, which are administered by BPW. These bonds are direct obligations and pledge the full faith and credit of the County and the benefiting municipalities.

Annual debt service requirements to maturity for BPW bonds are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2007	840,000	614,334
2008	870,000	579,187
2009	890,000	542,841
2010	980,000	505,210
2011	860,000	463,638
2012-2016	4,305,000	1,707,453
2017-2021	3,055,000	665,131
2022-2026	500,000	258,155
2027-2031	600,000	114,003
2032	125,000	3,250
	<b>\$ 13,025,000</b>	<b>\$ 5,449,952</b>

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### *Changes in long-term debt.*

Long-term debt liability activity for the year ended December 31, 2006, was as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006	Due in One Year
<b><u>Governmental activities</u></b>					
General obligation bonds	\$ 8,481,241	\$ -	\$ 650,086	\$ 7,831,155	\$ 676,462
Lease purchase agreements	309,330	28,860	68,591	269,599	69,773
Compensated absences	1,503,774	2,684,373	2,610,765	1,577,382	1,577,382
	<b><u>\$ 10,294,345</u></b>	<b><u>\$ 2,713,233</u></b>	<b><u>\$ 3,329,442</u></b>	<b><u>\$ 9,678,136</u></b>	<b><u>\$ 2,323,617</u></b>
<b><u>Business-type activities</u></b>					
General obligation limited tax notes payable	\$ 500,000	\$ 3,000,000	\$ 3,150,000	\$ 350,000	\$ 350,000
General obligation bonds	-	8,000,000	-	8,000,000	-
	<b><u>\$ 500,000</u></b>	<b><u>\$ 11,000,000</u></b>	<b><u>\$ 3,150,000</u></b>	<b><u>\$ 8,350,000</u></b>	<b><u>\$ 350,000</u></b>
<b><u>Drain Commission component unit</u></b>					
Drain notes payable	\$ 1,795,196	\$ 158,050	\$ 423,904	\$ 1,529,342	\$ 333,079
Lake level notes payable	162,100	85,000	7,000	240,100	1,100
	<b><u>\$ 1,957,296</u></b>	<b><u>\$ 243,050</u></b>	<b><u>\$ 430,904</u></b>	<b><u>\$ 1,769,442</u></b>	<b><u>\$ 334,179</u></b>
<b><u>Road Commission component unit</u></b>					
Michigan Transportation fund bonds	\$ 2,570,000	\$ -	\$ 405,000	\$ 2,165,000	\$ 305,000
Contracts payable	289,343	12,800	3,400	298,743	282,933
Installment lease payable	383,946	-	252,986	130,960	130,960
Compensated absences	100,558	22,571	-	123,129	-
	<b><u>\$ 3,343,847</u></b>	<b><u>\$ 35,371</u></b>	<b><u>\$ 661,386</u></b>	<b><u>\$ 2,717,832</u></b>	<b><u>\$ 718,893</u></b>
<b><u>Board of Public Works component unit</u></b>					
Bonds payable	<b><u>\$ 13,835,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 810,000</u></b>	<b><u>\$ 13,025,000</u></b>	<b><u>\$ 840,000</u></b>

For the governmental activities, compensated absences are generally liquidated by the general fund.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### IV. OTHER INFORMATION

#### A. Risk Management / Self-Insurance Programs

The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. On risks that are commercially insured, settlements have not exceeded insurance coverage in any of the past three years. Following is a summary of the self-insurance programs and risk management pool participation.

**Liability.** The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property damage coverages. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from an internal service fund (i.e., the Insurance fund) using premiums paid into it by the general fund of the government. Such contributions as received by MMRMA are allocated between the general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members self-insured retention limits along with certain other member-specific costs.

Under most circumstances, the County's maximum loss retention per occurrence was as follows:

<b><u>Type of Risk</u></b>	<b><u>Maximum Retention Per Occurrence</u></b>
General liability	\$200,000
Motor vehicle physical damage	\$16,000 per vehicle \$31,000 per occurrence
Property damage	\$11,000

The County had estimated claims payable of \$201,315 at December 31, 2006. At December 31, 2006, the balance of the County's member retention fund was \$15,270.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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Changes in the balances of the County's estimated claims payable during the past two years are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 324,425	\$ 196,603
Incurred claims (including IBNR's)	556,302	898,980
Claim payments	<u>(679,412)</u>	<u>(771,158)</u>
<b>Unpaid claims, end of year</b>	<b><u>\$ 201,315</u></b>	<b><u>\$ 324,425</u></b>

**Employee Benefits.** The government maintains a self-insurance program for employee health care coverage which is accounted for in an internal service fund (i.e., the Employee Benefits fund). The program is administered by a third party administrator who provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on actuarial and management estimates. These premiums are available to pay health care claims, claim reserves, excess coverage and administrative costs as well as to purchase dental and life insurance coverage from commercial carriers and to reimburse the State for unemployment benefits paid.

Health care liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers annual individual claims in excess of \$150,000. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the balances of health care claims liabilities during the past two years are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 280,344	\$ 234,515
Incurred claims (including IBNR's)	5,683,827	5,184,759
Claim payments	<u>(5,659,634)</u>	<u>(5,138,930)</u>
<b>Unpaid claims, end of year</b>	<b><u>\$ 304,537</u></b>	<b><u>\$ 280,344</u></b>

## COUNTY OF CALHOUN, MICHIGAN

### Notes to the Financial Statements

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**Workers' Compensation.** The government maintains a self-insurance program for workers' compensation coverage which is accounted for in an internal service fund (i.e., the Workers' Compensation fund). The program is administered by a third party administrator who conducts safety inspections and provides claims review and processing services. Premiums are paid into the internal service fund by all other funds based on payrolls and job classifications and are available to pay claims, claim reserves, excess coverage and administrative costs.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$350,000 subject to an annual aggregate limit of \$1 million. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in the balances of claims liabilities during the past two years are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 278,001	\$ 252,344
Incurred claims (including IBNR's)	256,264	236,228
Claim payments	<u>(247,260)</u>	<u>(210,571)</u>
<b>Unpaid claims, end of year</b>	<b><u>\$ 287,005</u></b>	<b><u>\$ 278,001</u></b>

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool ("Pool") established pursuant to the laws of the State of Michigan which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Calhoun County Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.



# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Worker's Compensation Fund.

In the past three years, there have been no reductions in coverages, nor have settlements exceeded coverages. Management of the Road Commission believes that losses, if any, in excess of Insurance Pool coverages would not be material to the financial position of the Road Commission.

The Road Commission continues to carry commercial insurance for employee health and accident insurance.

### **B. Property taxes**

Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of a restricted fund known as the Revenue Sharing Reserve Fund.

Through 2004, the County property tax was levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31. On December 1, the property tax assessments were an enforceable lien on property and were payable by the last day of the following February. Assessed values are established annually by the County and are equalized by the County and by the State of Michigan at an estimated 50% of current market value.

The assessed and taxable value of real and personal property for the 2005 levy, for which revenue was recognized in 2006, was \$3,371,321,734. The general operating tax rate for this levy was 5.3779 mills with an additional 0.7452 mills and 0.2482 mills assessed for Senior Services and Medical Care Facility operations, respectively.

### **C. Employee retirement systems and plans**

#### **Defined Contribution Pension Plan - Primary Government**

Substantially all of the government's full-time employees are eligible to participate in one of two defined contribution pension plans, as established by Board policy and labor agreements. Required government contributions to the pension plans are at various rates based on Board policy and labor agreements with the various bargaining units. The Calhoun County Board of Commissioners established both plans and may amend them and the related contribution requirements, subject to the County's various collective bargaining agreements. The plans are administered and the assets are in the custody of third-party insurance companies.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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The government's contributions for each employee, and interest allocated to an employee's account, are fully vested after five years of service, except for Sheriff Department employees who are fully vested after ten years. Employee contributions are fully vested at the time of contribution. Employer contributions and allocated interest for employees who leave employment before full vesting are used to reduce the employer current-period contribution requirement. All required employer contributions were made as disclosed below:

	<b><u>General County Kemper/Scudder</u></b>	<b><u>Medical Care Facility Kemper/Pert</u></b>	<b><u>Total</u></b>
Required and actual employer contributions	\$ 291,402	\$ 126,425	\$ 417,827
Required and actual employee contributions	680,714	194,526	875,240

### **Defined Benefit Pension Plans – Primary Government**

#### **Plan Description – General**

Substantially all of the government's full-time employees, other than Sheriff Supervisory and Non-Supervisory Unions, are eligible to participate in a defined benefit plan, as established by the Board during 2001. The Calhoun County Defined Benefit Plan provides retirement and death benefits to plan members and beneficiaries. The plan is administered by the County and is a single-employer plan. The plan financial statements are part of this report. A separate, stand-alone report is not issued.

#### **Basis of Accounting**

The Plan's financial statements are prepared on the accrual basis of accounting. Member contributions are recognized in the period in which they are due. The County's contributions are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### **Valuation of Investments**

The Plan's investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair value.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### Funding Policy

The County is required to contribute at an actuarially determined rate; the current rate for the County is 7.00% of annual covered payroll. All participating employees are required to contribute 8.21% of their annual salary. Administrative costs of the plan are financed through investment earnings. The benefit provisions and contribution requirements of the County and of plan members are established by and may be amended by the Board of Commissioners.

For the year ended December 31, 2006, the annual pension cost of \$740,089 was equal to the required and actual contributions of the County. The required contributions were determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5%, (b) projected salary increase of 4.0% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 2.5% for employees with less than 10 years of service and 1.5% for employees with 10 or more years of service, attributable to seniority/merit. The actuarial value of plan assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2005.

Membership of the plan consisted of the following at December 31, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	27
Terminated plan members entitled to but not yet receiving benefits	13
Active plan members	<u>269</u>
<b>Total</b>	<b><u>309</u></b>

### Three-Year Trend Information

<b><u>Fiscal Year Ending</u></b>	<b><u>Annual Pension Cost</u></b>	<b><u>Annual Required Contribution</u></b>	<b><u>Percentage Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
12/31/04	\$ 532,818	\$ 532,818	100%	\$ -
12/31/05	519,753	519,753	100	-
12/31/06	740,089	740,089	100	-

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/03	\$ 2,249,674	\$ 10,902,589	\$ 8,652,915	21%	\$ 8,566,899	101%
12/31/04	3,311,607	11,507,084	8,195,477	29	9,358,934	88
12/31/05	4,370,131	16,258,413	11,888,282	27	10,614,989	112

### Plan Description - MERS

Both the Sheriff Supervisory and Non-Supervisory Unions are eligible to participate in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer, defined benefit pension plan. The System is administered by the MERS retirement board. MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917, or by calling (800) 767-6377.

### Funding Policy

The County is required to contribute at an actuarially determined rate; the current rate for the County is between 7.00% and 23.59% of annual covered payroll, depending on employee group. All participating employees are required to contribute between 11.64% and 12.00% percent of their annual salary. The contribution requirements of the County are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County Board of Commissioners, depending on the MERS contribution program adopted by the County.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

For the year ended December 31, 2006, the annual pension cost of \$609,154 was equal to the required and actual contributions of the County. The required contributions were determined as part of the December 31, 2004 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year after retirement for certain retirees depending on the benefit option selected. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The County's unfunded actuarial accrued liability is being amortized over a period of 30 years as a level percentage of projected payroll on an open basis. The latest actuarial valuation was performed as of December 31, 2005.

### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
12/31/04	\$ 466,928	\$ 466,928	100%	\$ -
12/31/05	586,510	586,510	100	-
12/31/06	609,154	609,154	100	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/03	\$ 5,121,803	\$ 15,304,431	\$ 10,182,628	33%	\$6,670,421	153%
12/31/04	6,373,913	16,395,271	10,021,358	39	6,713,373	149
12/31/05	7,704,029	19,944,123	12,240,094	39	7,412,939	165

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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### **Defined Benefit Pension Plan - Road Commission**

#### **Plan Description**

The Road Commission's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

#### **Funding Policy**

The Road Commission is required to contribute at an actuarially determined rate; the current rate is 15.3% to 18.6% of annual covered payroll. Certain employees are currently not required to contribute to the Plan. The contribution requirements of the Road Commission are established by Act No. 427 of the Public Acts of 1984, as amended, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission.

#### **Annual Pension Cost**

For the year ended December 31, 2006, the Road Commission's annual pension cost of \$519,201 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Road Commission's unfunded actuarial accrued liability as of December 31, 2005, the date of the latest actuarial valuation, is being amortized as a level percentage of projected payrolls on an open basis over 27 years.

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
12/31/04	\$ 485,364	\$ 485,364	100%	-
12/31/05	528,560	528,560	100	-
12/31/06	519,201	519,201	100	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/03	\$ 5,637,315	\$ 9,860,393	\$ 4,223,078	57%	\$ 2,953,201	143%
12/31/04	6,103,478	10,561,802	4,458,324	58	3,226,726	138
12/31/05	6,601,274	11,402,631	4,801,357	58	3,179,707	151

#### D. Other Postemployment Benefits

In accordance with labor agreements and board action, the County provides post-retirement healthcare benefits to full-time employees. The plans offered consist of an 80/20 Traditional Indemnity plan with prescription coverage and an 80/20 Traditional Indemnity plan without prescription coverage. To be eligible for coverage, a retiree must have a minimum of 10 years of service and attained the age of 50, with the sum of the age and years of service totaling at least 75. In 2006, 51 retirees met these requirements. Retirees are required to contribute 100% of the illustrated rate less any discount. A retiree who has completed at least 20 years of service and the sum of their age and years of service totals at least 85, are eligible for a discount as follows:

<u>Age at Retirement</u>	<u>Monthly Discount</u>
At least 60	\$8 x years of service
At least 61	\$9 x years of service
At least 62	\$10 x years of service

# COUNTY OF CALHOUN, MICHIGAN

## Notes to the Financial Statements

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In 2006 the discount for retirees totaled \$109,706; retirees paid \$160,769 toward their coverage; and the retiree health claims paid by the County totaled \$370,360.

### **E. Contingent Liabilities**

Amounts received or receivable from grantor agencies and health care intermediaries including Medicare and Medicaid are subject to audit and adjustment by the grantor agencies or intermediaries. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors or intermediaries cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government and its component units, individually or jointly, are a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government and component unit's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

### **F. Restatements**

The beginning fund balance/net assets of the nonmajor governmental funds and Government-Wide Governmental Activities were increased by \$45,000 to properly record the amount due to the Road Commission as a result of prior year transactions.

The beginning net assets of the Road Commission were decreased by \$100,558 to properly state accrued compensated absences. In addition, beginning net assets of the Road Commission were increased by \$45,000 to properly record the amount due from the Parks Special Revenue Fund as a result of prior year transactions.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2006**

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,682,810	\$ 3,467	\$ -	\$ 1,686,277
Investments	-	-	37,287	37,287
Receivables:				
Accounts, net	134,988	-	-	134,988
Delinquent taxes	251	22,018	-	22,269
Accrued interest	1,129	-	1,563	2,692
Due from other governmental units	1,372,376	-	-	1,372,376
Due from other funds	4,144	121,667	-	125,811
Prepaid items	1,957	-	-	1,957
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,197,655</u></b>	<b><u>\$ 147,152</u></b>	<b><u>\$ 38,850</u></b>	<b><u>\$ 3,383,657</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,026,355	\$ 1,748	\$ -	\$ 1,028,103
Accrued payroll	84,164	-	-	84,164
Due to other governmental units	50,000	-	-	50,000
Due to other funds	10,361	-	-	10,361
Interfund payable	468,601	-	-	468,601
Deferred revenue	20,938	21,742	-	42,680
Total liabilities	1,660,419	23,490	-	1,683,909
<b>Fund balances</b>				
Reserved for prepaid items	1,957	-	-	1,957
Reserved for perpetual care	-	-	36,546	36,546
Unreserved, undesignated	1,535,279	123,662	2,304	1,661,245
Total fund balances	1,537,236	123,662	38,850	1,699,748
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 3,197,655</u></b>	<b><u>\$ 147,152</u></b>	<b><u>\$ 38,850</u></b>	<b><u>\$ 3,383,657</u></b>

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2006**

	Special Revenue Funds	Debt Service Funds	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
<b>Revenue</b>				
Taxes	\$ 917,895	\$ 551	\$ -	\$ 918,446
Licenses and permits	14,855	-	-	14,855
Intergovernmental	5,293,830	-	-	5,293,830
Charges for services	591,095	-	-	591,095
Fines and forfeitures	27,281	-	-	27,281
Interest and rentals	43,791	375	1,908	46,074
Other	856,514	210,000	-	1,066,514
Total revenue	7,745,261	210,926	1,908	7,958,095
<b>Expenditures</b>				
Current:				
Judicial	3,466,275	-	-	3,466,275
Public safety	2,970,042	-	-	2,970,042
Health and welfare	698,308	-	-	698,308
Recreation and cultural	1,430,257	-	-	1,430,257
Other	-	17,047	1,511	18,558
Debt service:				
Principal	-	650,086	-	650,086
Interest	-	323,035	-	323,035
Capital outlay	854,291	-	-	854,291
Total expenditures	9,419,173	990,168	1,511	10,410,852
Revenue over (under) expenditures	(1,673,912)	(779,242)	397	(2,452,757)
<b>Other financing sources (uses)</b>				
Transfers in	1,710,075	773,121	-	2,483,196
Transfers (out)	(217,970)	-	-	(217,970)
Total other financing sources (uses)	1,492,105	773,121	-	2,265,226
Net change in fund balances	(181,807)	(6,121)	397	(187,531)
Fund balance, beginning of year, as restated	1,719,043	129,783	38,453	1,887,279
<b>Fund balance, end of year</b>	<b>\$ 1,537,236</b>	<b>\$ 123,662</b>	<b>\$ 38,850</b>	<b>\$ 1,699,748</b>

# **NONMAJOR SPECIAL REVENUE FUNDS**

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**Description of Funds**  
**Combining Financial Statements**  
**Individual Fund Schedules**

# NONMAJOR SPECIAL REVENUE FUNDS

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**Friend of the Court --** This fund is used to account for mediation services regarding custody or visitation rights to parties involved in divorce. This fund is also used to account for grant revenues that are specifically restricted to the provision of Child Support Services. Financing is provided by State and Federal sources and a County appropriation.

**Family Counseling --** This fund is used to account for the operations of a family counseling service. Financing is provided by marriage license fees.

**County Special Projects --** This fund is used to account for the costs of special projects and is funded by transfers from the General fund.

**Accommodations Tax --** This fund is used to account for a collection of a ten percent hotel/motel room tax. Board of Commissioner's resolutions allocate a portion of these revenues to promote tourism and convention business. State law limits the use of hotel/motel accommodation tax revenue to the development and promotion of convention and entertainment facilities.

**Solid Waste Management --** This fund is used to account for costs related to a planning grant for solid waste and recycling management.

**Circuit Court Grants --** This fund is used to account for costs related to grants received by the Circuit Court.

**Parks --** This fund is used to account for certain operations and maintenance of County owned parks and facilities.

**Remonumentation --** This fund is used to account for the operations of the State-funded remonumentation grant and Board designated fees for enhancement of the County's remonumentation initiative.

**Register of Deeds Automation --** This fund is used to account for fees collected that are restricted by law to be used for technology upgrades with the Register of Deeds Department.

**Clerk --** This fund is used to account for the operations of the County Clerk's Byrne Memorial grant.

**Local Emergency Planning --** This fund is used to account for various local emergency planning committees.

**Emergency 911 --** This fund is used to account for the operations of the emergency telephone and dispatch system. Financing is provided through a County-wide surcharge.

**Sheriff --** This fund is used to account for the office of the Sheriff special operations and related grant funds.

# NONMAJOR SPECIAL REVENUE FUNDS

CONCLUDED

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**Emergency Management --** This fund is used to account for various Homeland Security Grants.

**Law Library --** This fund is used to record revenues provided for the maintenance of a law library. Money for the operation of this fund is from the statutory transfer of penal fines.

**Community Corrections --** This fund is used to account for the County's community corrections program. This program is State funded.

**Community Corrections State Office --** This fund is used to account for activities under a grant for special community corrections initiatives.

**Prosecutor --** This fund is used to account for the Prosecutor's special operations and related grant funds.

**Housing Rehabilitation --** This fund is used to account for Community Development Block Grant Funds, which are under the administration of the Michigan State Housing Development Authority (MSHDA), as they are used for Housing Rehabilitation Program activities.

**MSU Cooperative Extension --** This fund is used to account for the various programs sponsored by MSU.

**Human Services --** This fund is used to account for funds which are provided by County, State, and Federal governments to administer the human services department, assist eligible recipients, and to administer various State and Federal human services programs.

**Soldiers' Relief --** This fund is used to account for funds provided by a tax levy for indigent veterans.

**Veterans' Trust --** This fund is used to account for revenue set aside for aid to veterans. Funding is provided by the State of Michigan.

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2006**

	(215) Friend of the Court	(216) Family Counseling	(228) County Special Projects	(229) Accommodations Tax
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 47,963	\$ 86,635	\$ 47,680
Receivables:				
Accounts, net	70	-	-	55,927
Delinquent taxes	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	381,982	-	-	-
Due from other funds	-	-	4,144	-
Prepaid items	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$ 382,052</b>	<b>\$ 47,963</b>	<b>\$ 90,779</b>	<b>\$ 103,607</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 5,964	\$ -	\$ 735	\$ 93,246
Accrued payroll	60,792	-	-	-
Due to other governmental units	-	-	-	-
Due to other funds	-	-	-	10,361
Interfund payable	236,310	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	303,066	-	735	103,607
<b>Fund balances (deficits)</b>				
Reserved for prepaid items	-	-	-	-
Unreserved, undesignated	78,986	47,963	90,044	-
Total fund balances (deficits)	78,986	47,963	90,044	-
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 382,052</b>	<b>\$ 47,963</b>	<b>\$ 90,779</b>	<b>\$ 103,607</b>

<b>(230) Solid Waste Management</b>	<b>(236) Circuit Court Grants</b>	<b>(243) Parks</b>	<b>(245) Remon- umentation</b>	<b>(256) Register of Deeds Automation</b>	<b>(260) Clerk</b>
\$ 631,127	\$ -	\$ 10,597	\$ 101,989	\$ 183,930	\$ 3,366
37,448	-	-	-	-	-
-	-	-	-	-	-
1,129	-	-	-	-	-
-	174,838	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 669,704</u>	<u>\$ 174,838</u>	<u>\$ 10,597</u>	<u>\$ 101,989</u>	<u>\$ 183,930</u>	<u>\$ 3,366</u>
\$ 17,656	\$ 2,099	\$ 124,362	\$ 10,696	\$ 960	\$ -
-	3,935	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	124,860	-	-	-	-
-	9,765	-	-	-	-
<u>17,656</u>	<u>140,659</u>	<u>124,362</u>	<u>10,696</u>	<u>960</u>	<u>-</u>
-	-	-	-	-	-
<u>652,048</u>	<u>34,179</u>	<u>(113,765)</u>	<u>91,293</u>	<u>182,970</u>	<u>3,366</u>
<u>652,048</u>	<u>34,179</u>	<u>(113,765)</u>	<u>91,293</u>	<u>182,970</u>	<u>3,366</u>
<u>\$ 669,704</u>	<u>\$ 174,838</u>	<u>\$ 10,597</u>	<u>\$ 101,989</u>	<u>\$ 183,930</u>	<u>\$ 3,366</u>

(continued...)



**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (Continued)**  
**December 31, 2006**

	(263) Local Emergency Planning	(264) Emergency 911	(265) Sheriff	(266) Emergency Management
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 11,307	\$ 286,114	\$ 6,152	\$ -
Receivables:				
Accounts, net	-	41,327	-	-
Delinquent taxes	-	-	-	-
Accrued interest	-	-	-	-
Due from other governmental units	-	57,869	159,968	339,589
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
<b><u>TOTAL ASSETS</u></b>	<b>\$ 11,307</b>	<b>\$ 385,310</b>	<b>\$ 166,120</b>	<b>\$ 339,589</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 260,721	\$ 33,717	\$ 317,670
Accrued payroll	-	-	4,783	1,855
Due to other governmental units	-	-	-	-
Due to other funds	-	-	-	-
Interfund payable	-	-	-	20,064
Deferred revenue	-	548	10,377	-
Total liabilities	-	261,269	48,877	339,589
<b>Fund balances (deficits)</b>				
Reserved for prepaid items	-	-	-	-
Unreserved, undesignated	11,307	124,041	117,243	-
Total fund balances (deficits)	11,307	124,041	117,243	-
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 11,307</b>	<b>\$ 385,310</b>	<b>\$ 166,120</b>	<b>\$ 339,589</b>

<b>(269) Law Library</b>	<b>(273) Community Corrections</b>	<b>(277) Community Corrections State Office</b>	<b>(281) Prosecutor</b>	<b>(285) Housing Rehabilitation</b>	<b>(289) MSU Coop. Ext.</b>
\$ 26,533	\$ -	\$ -	\$ -	\$ 62,672	\$ 9,370
216	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	33,091	76,000	86,007	61,616	1,416
-	-	-	-	-	-
-	-	-	1,957	-	-
<u>\$ 26,749</u>	<u>\$ 33,091</u>	<u>\$ 76,000</u>	<u>\$ 87,964</u>	<u>\$ 124,288</u>	<u>\$ 10,786</u>
\$ 3,342	\$ 1,438	\$ 36,955	\$ 39,525	\$ 73,144	\$ 4,125
-	2,487	-	10,312	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	11,821	39,045	36,501	-	-
-	-	-	-	-	-
<u>3,342</u>	<u>15,746</u>	<u>76,000</u>	<u>86,338</u>	<u>73,144</u>	<u>4,125</u>
-	-	-	1,957	-	-
23,407	17,345	-	(331)	51,144	6,661
<u>23,407</u>	<u>17,345</u>	<u>-</u>	<u>1,626</u>	<u>51,144</u>	<u>6,661</u>
<u>\$ 26,749</u>	<u>\$ 33,091</u>	<u>\$ 76,000</u>	<u>\$ 87,964</u>	<u>\$ 124,288</u>	<u>\$ 10,786</u>

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (Concluded)**  
**December 31, 2006**

	(290) Human Services	(293) Soldiers' Relief	(294) Veterans' Trust	Totals
<b><u>ASSETS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 139,115	\$ 22,006	\$ 6,254	\$ 1,682,810
Receivables:				
Accounts, net	-	-	-	134,988
Delinquent taxes	-	251	-	251
Accrued interest	-	-	-	1,129
Due from other governmental units	-	-	-	1,372,376
Due from other funds	-	-	-	4,144
Prepaid items	-	-	-	1,957
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>TOTAL ASSETS</u></b>	<hr/> <b>\$ 139,115</b>	<hr/> <b>\$ 22,257</b>	<hr/> <b>\$ 6,254</b>	<hr/> <b>\$ 3,197,655</b> <hr/>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,026,355
Accrued payroll	-	-	-	84,164
Due to other governmental units	50,000	-	-	50,000
Due to other funds	-	-	-	10,361
Interfund payable	-	-	-	468,601
Deferred revenue	-	248	-	20,938
Total liabilities	<hr/> 50,000	<hr/> 248	<hr/> -	<hr/> 1,660,419
<b>Fund balances (deficits)</b>				
Reserved for prepaid items	-	-	-	1,957
Unreserved, undesignated	89,115	22,009	6,254	1,535,279
Total fund balances (deficits)	<hr/> 89,115	<hr/> 22,009	<hr/> 6,254	<hr/> 1,537,236
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<hr/> <b>\$ 139,115</b>	<hr/> <b>\$ 22,257</b>	<hr/> <b>\$ 6,254</b>	<hr/> <b>\$ 3,197,655</b> <hr/>

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	(215) Friend of the Court	(216) Family Counseling	(228) County Special Projects	(229) Accommodations Tax
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ 907,730
Licenses and permits	-	14,855	-	-
Intergovernmental	2,013,444	-	-	-
Charges for services	49,288	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Total revenue	2,062,732	14,855	-	907,730
<b>Expenditures</b>				
Current:				
Judicial	3,441,394	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	9,549	816,957
Capital outlay	8,026	-	3,909	-
Total expenditures	3,449,420	-	13,458	816,957
Revenue over (under) expenditures	(1,386,688)	14,855	(13,458)	90,773
<b>Other financing sources (uses)</b>				
Transfers in	1,407,007	43,108	36,309	-
Transfers (out)	-	(10,000)	(20,000)	(90,773)
Total other financing sources (uses)	1,407,007	33,108	16,309	(90,773)
Net change in fund balances	20,319	47,963	2,851	-
Fund balance (deficit), beginning of year	58,667	-	87,193	-
<b>Fund balance (deficit), end of year</b>	<b>\$ 78,986</b>	<b>\$ 47,963</b>	<b>\$ 90,044</b>	<b>\$ -</b>

<b>(230) Solid Waste Management</b>	<b>(236) Circuit Court Grants</b>	<b>(243) Parks</b>	<b>(245) Remon- umentation</b>	<b>(256) Register of Deeds Automation</b>	<b>(260) Clerk</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	305,035	-	154,000	-	-
150,183	-	91,555	-	171,050	-
-	-	-	-	-	-
28,072	-	24	-	9,950	-
-	8,197	2,826	59,201	-	13
178,255	313,232	94,405	213,201	181,000	13
-	-	-	-	-	-
-	291,534	-	-	-	-
179,652	-	-	-	-	-
-	-	116,179	307,940	157,887	198
-	-	-	1,220	124,307	-
179,652	291,534	116,179	309,160	282,194	198
(1,397)	21,698	(21,774)	(95,959)	(101,194)	(185)
-	-	-	24,000	-	-
-	(43,108)	-	(26,845)	-	-
-	(43,108)	-	(2,845)	-	-
(1,397)	(21,410)	(21,774)	(98,804)	(101,194)	(185)
653,445	55,589	(91,991)	190,097	284,164	3,551
\$ 652,048	\$ 34,179	\$ (113,765)	\$ 91,293	\$ 182,970	\$ 3,366

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Continued)**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	(263) Local Emergency Planning	(264) Emergency 911	(265) Sheriff	(266) Emergency Management
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	423,043	761,447
Charges for services	-	-	61,470	-
Fines and forfeitures	-	-	20,781	-
Interest and rentals	-	-	5,740	-
Other	14,302	718,318	1,624	-
Total revenue	14,302	718,318	512,658	761,447
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	2,995	649,811	362,449	364,298
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	136,413	171,951	369,905
Total expenditures	2,995	786,224	534,400	734,203
Revenue over (under) expenditures	11,307	(67,906)	(21,742)	27,244
<b>Other financing sources (uses)</b>				
Transfers in	-	-	32,501	-
Transfers (out)	-	-	-	(27,244)
Total other financing sources (uses)	-	-	32,501	(27,244)
Net change in fund balances	11,307	(67,906)	10,759	-
Fund balance (deficit), beginning of year	-	191,947	106,484	-
<b>Fund balance (deficit), end of year</b>	<b>\$ 11,307</b>	<b>\$ 124,041</b>	<b>\$ 117,243</b>	<b>\$ -</b>

<b>(269) Law Library</b>	<b>(273) Community Corrections</b>	<b>(277) Community Corrections State Office</b>	<b>(281) Prosecutor</b>	<b>(285) Housing Rehabilitation</b>	<b>(289) MSU Coop. Ext.</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	174,998	452,909	513,444	106,445	27,740
-	-	-	-	-	-
6,500	-	-	-	-	-
-	-	-	-	-	-
-	-	-	33,325	18,107	-
6,500	174,998	452,909	546,769	124,552	27,740
24,881	-	-	-	-	-
-	174,998	452,909	671,048	-	-
-	-	-	-	73,408	-
-	-	-	-	-	21,547
-	-	-	38,560	-	-
24,881	174,998	452,909	709,608	73,408	21,547
(18,381)	-	-	(162,839)	51,144	6,193
25,000	-	-	142,150	-	-
-	-	-	-	-	-
25,000	-	-	142,150	-	-
6,619	-	-	(20,689)	51,144	6,193
16,788	17,345	-	22,315	-	468
\$ 23,407	\$ 17,345	\$ -	\$ 1,626	\$ 51,144	\$ 6,661

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances (Concluded)**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	(290) Human Services	(293) Soldiers' Relief	(294) Veterans' Trust	Totals
<b>Revenue</b>				
Taxes	\$ -	\$ 10,165	\$ -	\$ 917,895
Licenses and permits	-	-	-	14,855
Intergovernmental	340,685	-	20,640	5,293,830
Charges for services	67,549	-	-	591,095
Fines and forfeitures	-	-	-	27,281
Interest and rentals	-	5	-	43,791
Other	-	601	-	856,514
Total revenue	408,234	10,771	20,640	7,745,261
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	3,466,275
Public safety	-	-	-	2,970,042
Health and welfare	420,859	5,530	18,859	698,308
Recreation and cultural	-	-	-	1,430,257
Capital outlay	-	-	-	854,291
Total expenditures	420,859	5,530	18,859	9,419,173
Revenue over (under) expenditures	(12,625)	5,241	1,781	(1,673,912)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	1,710,075
Transfers (out)	-	-	-	(217,970)
Total other financing sources (uses)	-	-	-	1,492,105
Net change in fund balances	(12,625)	5,241	1,781	(181,807)
Fund balance (deficit), beginning of year	101,740	16,768	4,473	1,719,043
<b>Fund balance (deficit), end of year</b>	<b>\$ 89,115</b>	<b>\$ 22,009</b>	<b>\$ 6,254</b>	<b>\$ 1,537,236</b>



**COUNTY OF CALHOUN, MICHIGAN**  
**Friend of the Court**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	2,258,128	2,013,444	(244,684)	2,061,361
Charges for services	75,000	49,288	(25,712)	67,714
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Total revenue	2,333,128	2,062,732	(270,396)	2,129,075
<b>Expenditures</b>				
Current:				
Judicial	3,730,135	3,441,394	(288,741)	3,398,539
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	10,000	8,026	(1,974)	95,427
Total expenditures	3,740,135	3,449,420	(290,715)	3,493,966
Revenue over (under) expenditures	(1,407,007)	(1,386,688)	20,319	(1,364,891)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	1,407,007	1,407,007	-	944,584
Transfers (out)	-	-	-	(50,000)
Total other financing sources (uses)	1,407,007	1,407,007	-	894,584
Net change in fund balances	-	20,319	20,319	(470,307)
Fund balance (deficit), beginning of year	58,667	58,667	-	528,974
<b>Fund balance (deficit), end of year</b>	<b>\$ 58,667</b>	<b>\$ 78,986</b>	<b>\$ 20,319</b>	<b>\$ 58,667</b>

**COUNTY OF CALHOUN, MICHIGAN**  
**Family Counseling**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	16,000	14,855	(1,145)	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	16,000	14,855	(1,145)	-
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	8,000	-	(8,000)	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	8,000	-	(8,000)	-
Revenue over (under) expenditures	8,000	14,855	6,855	-
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	43,108	43,108	-	-
Transfers (out)	(10,000)	(10,000)	-	-
	33,108	33,108	-	-
Net change in fund balances	41,108	47,963	6,855	-
Fund balance (deficit), beginning of year	-	-	-	-
<b>Fund balance (deficit), end of year</b>	<b>\$ 41,108</b>	<b>\$ 47,963</b>	<b>\$ 6,855</b>	<b>\$ -</b>

**COUNTY OF CALHOUN, MICHIGAN**  
**County Special Projects**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Total revenue	-	-	-	-
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	12,400	9,549	(2,851)	3,876
Capital outlay	3,909	3,909	-	-
	16,309	13,458	(2,851)	3,876
Total expenditures	16,309	13,458	(2,851)	3,876
Revenue over (under) expenditures	(16,309)	(13,458)	2,851	(3,876)
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	36,309	36,309	-	33,564
Transfers (out)	(20,000)	(20,000)	-	(10,000)
	16,309	16,309	-	23,564
Total other financing sources (uses)	16,309	16,309	-	23,564
Net change in fund balances	-	2,851	2,851	19,688
Fund balance (deficit), beginning of year	87,193	87,193	-	67,505
<b>Fund balance (deficit), end of year</b>	<b>\$ 87,193</b>	<b>\$ 90,044</b>	<b>\$ 2,851</b>	<b>\$ 87,193</b>

**COUNTY OF CALHOUN, MICHIGAN**  
**Accommodations Tax**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ 907,730	\$ 907,730	\$ -	\$ 877,182
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	907,730	907,730	-	877,182
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	816,957	816,957	-	793,271
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	816,957	816,957	-	793,271
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	90,773	90,773	-	83,911
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(90,773)	(90,773)	-	(83,911)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(90,773)	(90,773)	-	(83,911)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Solid Waste Management**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	170,000	150,183	(19,817)	161,427
Fines and forfeitures	-	-	-	-
Interest and rentals	10,000	28,072	18,072	17,715
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	180,000	178,255	(1,745)	179,142
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	233,579	179,652	(53,927)	187,624
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	233,579	179,652	(53,927)	187,624
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(53,579)	(1,397)	52,182	(8,482)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(53,579)	(1,397)	52,182	(8,482)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	653,445	653,445	-	661,927
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 599,866</u>	<u>\$ 652,048</u>	<u>\$ 52,182</u>	<u>\$ 653,445</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Circuit Court Grants**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	426,586	305,035	(121,551)	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	2,500	8,197	5,697	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	429,086	313,232	(115,854)	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	422,591	291,534	(131,057)	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	6,495	-	(6,495)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	429,086	291,534	(137,552)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	21,698	21,698	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(43,108)	(43,108)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(43,108)	(43,108)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(43,108)	(21,410)	21,698	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	55,589	55,589	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 12,481</u>	<u>\$ 34,179</u>	<u>\$ 21,698</u>	<u>\$ -</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Parks**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	105,680	91,555	(14,125)	100,258
Fines and forfeitures	-	-	-	-
Interest and rentals	-	24	24	54
Other	205,311	2,826	(202,485)	3,108
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	310,991	94,405	(216,586)	103,420
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	310,975	116,179	(194,796)	129,832
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	310,975	116,179	(194,796)	129,832
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	16	(21,774)	(21,790)	(26,412)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	16	(21,774)	(21,790)	(26,412)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year, as restated	(91,991)	(91,991)	-	(65,579)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ (91,975)</u>	<u>\$ (113,765)</u>	<u>\$ (21,790)</u>	<u>\$ (91,991)</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Remonumentation**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	154,000	154,000	-	145,161
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	64,000	59,201	(4,799)	63,568
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	218,000	213,201	(4,799)	208,729
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	307,942	307,940	(2)	129,009
Capital outlay	9,220	1,220	(8,000)	3,410
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	317,162	309,160	(8,002)	132,419
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(99,162)	(95,959)	3,203	76,310
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	24,000	24,000	-	30,000
Transfers (out)	(26,845)	(26,845)	-	(54,685)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(2,845)	(2,845)	-	(24,685)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(102,007)	(98,804)	3,203	51,625
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	190,097	190,097	-	138,472
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 88,090</u>	<u>\$ 91,293</u>	<u>\$ 3,203</u>	<u>\$ 190,097</u>



**COUNTY OF CALHOUN, MICHIGAN**  
**Register of Deeds Automation**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	179,000	171,050	(7,950)	177,965
Fines and forfeitures	-	-	-	-
Interest and rentals	1,000	9,950	8,950	8,948
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	180,000	181,000	1,000	186,913
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	194,490	157,887	(36,603)	121,294
Capital outlay	145,550	124,307	(21,243)	72,279
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	340,040	282,194	(57,846)	193,573
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(160,040)	(101,194)	58,846	(6,660)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(160,040)	(101,194)	58,846	(6,660)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	284,164	284,164	-	290,824
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 124,124</u>	<u>\$ 182,970</u>	<u>\$ 58,846</u>	<u>\$ 284,164</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Clerk**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	200	13	(187)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	200	13	(187)	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	200	198	(2)	548
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	200	198	(2)	548
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	(185)	(185)	(548)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	(185)	(185)	(548)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	3,551	3,551	-	4,099
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 3,551</u>	<u>\$ 3,366</u>	<u>\$ (185)</u>	<u>\$ 3,551</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Local Emergency Planning**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	6,631	14,302	7,671	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	6,631	14,302	7,671	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	6,631	2,995	(3,636)	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	6,631	2,995	(3,636)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	11,307	11,307	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	11,307	11,307	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ -</u>	<u>\$ 11,307</u>	<u>\$ 11,307</u>	<u>\$ -</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Emergency 911**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	11,340
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	726,103	718,318	(7,785)	726,451
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	726,103	718,318	(7,785)	737,791
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	656,103	649,811	(6,292)	800,768
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	136,413	136,413	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	792,516	786,224	(6,292)	800,768
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(66,413)	(67,906)	(1,493)	(62,977)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(66,413)	(67,906)	(1,493)	(62,977)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	191,947	191,947	-	254,924
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 125,534</u>	<u>\$ 124,041</u>	<u>\$ (1,493)</u>	<u>\$ 191,947</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Sheriff**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	459,373	423,043	(36,330)	336,843
Charges for services	96,240	61,470	(34,770)	73,500
Fines and forfeitures	27,000	20,781	(6,219)	24,266
Interest and rentals	-	5,740	5,740	2,726
Other	500	1,624	1,124	8,079
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	583,113	512,658	(70,455)	445,414
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	449,081	362,449	(86,632)	429,731
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	176,953	171,951	(5,002)	41,080
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	626,034	534,400	(91,634)	470,811
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(42,921)	(21,742)	21,179	(25,397)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	42,921	32,501	(10,420)	48,632
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	42,921	32,501	(10,420)	48,632
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	10,759	10,759	23,235
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	106,484	106,484	-	83,249
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 106,484</u>	<u>\$ 117,243</u>	<u>\$ 10,759</u>	<u>\$ 106,484</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Emergency Management**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	895,118	761,447	(133,671)	504,702
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	895,118	761,447	(133,671)	504,702
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	495,953	364,298	(131,655)	181,962
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	371,921	369,905	(2,016)	346,802
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	867,874	734,203	(133,671)	528,764
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	27,244	27,244	-	(24,062)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	24,062
Transfers (out)	(27,244)	(27,244)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(27,244)	(27,244)	-	24,062
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Law Library**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	6,500	6,500	-	6,500
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	6,500	6,500	-	6,500
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	31,500	24,881	(6,619)	16,096
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	31,500	24,881	(6,619)	16,096
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(25,000)	(18,381)	6,619	(9,596)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	25,000	25,000	-	17,500
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	25,000	25,000	-	17,500
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	6,619	6,619	7,904
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	16,788	16,788	-	8,884
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 16,788</u>	<u>\$ 23,407</u>	<u>\$ 6,619</u>	<u>\$ 16,788</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Community Corrections**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	199,107	174,998	(24,109)	213,955
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	199,107	174,998	(24,109)	213,955
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	199,107	174,998	(24,109)	213,955
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	199,107	174,998	(24,109)	213,955
Revenue over (under) expenditures	-	-	-	-
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance (deficit), beginning of year	17,345	17,345	-	17,345
<b>Fund balance (deficit), end of year</b>	<b>\$ 17,345</b>	<b>\$ 17,345</b>	<b>\$ -</b>	<b>\$ 17,345</b>



**COUNTY OF CALHOUN, MICHIGAN**  
**Community Corrections State Office**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	452,909	452,909	-	409,470
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	452,909	452,909	-	409,470
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	452,909	452,909	-	409,470
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	452,909	452,909	-	409,470
Revenue over (under) expenditures	-	-	-	-
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance (deficit), beginning of year	-	-	-	-
<b>Fund balance (deficit), end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COUNTY OF CALHOUN, MICHIGAN**  
**Prosecutor**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	539,573	513,444	(26,129)	614,981
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	1,500
Interest and rentals	-	-	-	-
Other	33,900	33,325	(575)	19,650
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	573,473	546,769	(26,704)	636,131
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	717,886	671,048	(46,838)	819,792
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	38,560	38,560	-	10,708
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	756,446	709,608	(46,838)	830,500
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(182,973)	(162,839)	20,134	(194,369)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	176,313	142,150	(34,163)	194,350
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	176,313	142,150	(34,163)	194,350
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	(6,660)	(20,689)	(14,029)	(19)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	22,315	22,315	-	22,334
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 15,655</u>	<u>\$ 1,626</u>	<u>\$ (14,029)</u>	<u>\$ 22,315</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Housing Rehabilitation**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	121,900	106,445	(15,455)	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	10,000	18,107	8,107	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	131,900	124,552	(7,348)	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	131,900	73,408	(58,492)	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	131,900	73,408	(58,492)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	51,144	51,144	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	51,144	51,144	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ -</u>	<u>\$ 51,144</u>	<u>\$ 51,144</u>	<u>\$ -</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**MSU Cooperative Extension**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	21,547	27,740	6,193	22,891
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	21,547	27,740	6,193	22,891
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	21,547	21,547	-	22,424
Capital outlay	-	-	-	-
	21,547	21,547	-	22,424
Revenue over (under) expenditures	-	6,193	6,193	467
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	-	-	-	-
Net change in fund balances	-	6,193	6,193	467
Fund balance (deficit), beginning of year	468	468	-	1
<b>Fund balance (deficit), end of year</b>	<b>\$ 468</b>	<b>\$ 6,661</b>	<b>\$ 6,193</b>	<b>\$ 468</b>

**COUNTY OF CALHOUN, MICHIGAN**  
**Human Services**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	404,459	340,685	(63,774)	396,066
Charges for services	108,396	67,549	(40,847)	51,041
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	512,855	408,234	(104,621)	447,107
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	512,855	420,859	(91,996)	436,142
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	512,855	420,859	(91,996)	436,142
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	(12,625)	(12,625)	10,965
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	(12,625)	(12,625)	10,965
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	101,740	101,740	-	90,775
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 101,740</u>	<u>\$ 89,115</u>	<u>\$ (12,625)</u>	<u>\$ 101,740</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Soldiers' Relief**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ 10,660	\$ 10,165	\$ (495)	\$ 10,232
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	5	5	7
Other	-	601	601	1,979
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	10,660	10,771	111	12,218
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	10,660	5,530	(5,130)	4,774
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	10,660	5,530	(5,130)	4,774
	<hr/>	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	5,241	5,241	7,444
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	-	5,241	5,241	7,444
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance (deficit), beginning of year	16,768	16,768	-	9,324
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance (deficit), end of year</b>	<u>\$ 16,768</u>	<u>\$ 22,009</u>	<u>\$ 5,241</u>	<u>\$ 16,768</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Veterans' Trust**  
**Schedule of Revenue, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended December 31, 2006**

	Amended Budget	Actual	Over (Under) Budget	2005
<b>Revenue</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	21,000	20,640	(360)	26,025
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
	21,000	20,640	(360)	26,025
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	21,000	18,859	(2,141)	23,560
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
	21,000	18,859	(2,141)	23,560
Revenue over (under) expenditures	-	1,781	1,781	2,465
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
	-	-	-	-
Net change in fund balances	-	1,781	1,781	2,465
Fund balance (deficit), beginning of year	4,473	4,473	-	2,008
<b>Fund balance (deficit), end of year</b>	<b>\$ 4,473</b>	<b>\$ 6,254</b>	<b>\$ 1,781</b>	<b>\$ 4,473</b>

# **NONMAJOR DEBT SERVICE FUNDS**

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**Description of Funds**  
**Combining Financial Statements**



# NONMAJOR DEBT SERVICE FUNDS

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**Jail Series III Refunding --** This fund is used to account for the retirement of refunding bonds issued in 1997. Funding is provided by a property tax levy.

**Building Authority Refunding --** This fund is used to account for the payment of bonds related to various building renovation projects. Funding is provided through General Fund appropriations and rentals.

**Justice Center Refunding --** This fund is used to account for payment of principal and interest of bonds related to the Justice Center Complex project. Funding is provided through General Fund appropriations.

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**December 31, 2006**

	(368) Jail Series III Refunding	(369) Building Authority Refunding	(370) Justice Center Refunding	Total
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 2,300	\$ 1,167	\$ 3,467
Property taxes receivable - delinquent	22,018	-	-	22,018
Due from other funds	5,000	116,667	-	121,667
<hr/>				
<u>TOTAL ASSETS</u>	\$ 27,018	\$ 118,967	\$ 1,167	\$ 147,152
<hr/>				
<u>LIABILITIES</u>				
<u>AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 1,748	\$ -	\$ -	\$ 1,748
Deferred revenue	21,742	-	-	21,742
Total liabilities	23,490	-	-	23,490
<hr/>				
Fund balances				
Reserved for debt service	3,528	118,967	1,167	123,662
<hr/>				
<u>TOTAL LIABILITIES</u>	\$ 27,018	\$ 118,967	\$ 1,167	\$ 147,152
<u>AND FUND BALANCES</u>	<hr/>			

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Year Ended December 31, 2006**

	(368) Jail Series III Refunding	(369) Building Authority Refunding	(370) Justice Center Refunding	Total
<b>Revenue</b>				
Taxes	\$ 551	\$ -	\$ -	\$ 551
Interest and rentals	375	-	-	375
Other	10,000	-	200,000	210,000
Total revenue	10,926	-	200,000	210,926
<b>Expenditures</b>				
Current:				
Other	17,047	-	-	17,047
Debt service:				
Principal	-	175,000	475,086	650,086
Interest and fiscal charges	-	13,038	309,997	323,035
Total expenditures	17,047	188,038	785,083	990,168
Revenue over (under) expenditures	(6,121)	(188,038)	(585,083)	(779,242)
<b>Other financings sources</b>				
Transfers in	-	188,038	585,083	773,121
Net change in fund balances	(6,121)	-	-	(6,121)
Fund balance, beginning of year	9,649	118,967	1,167	129,783
<b>Fund balance, end of year</b>	<b>\$ 3,528</b>	<b>\$ 118,967</b>	<b>\$ 1,167</b>	<b>\$ 123,662</b>

# **NONMAJOR ENTERPRISE FUNDS**

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**Description of Funds**  
**Combining Financial Statements**

# ENTERPRISE FUNDS

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**Property Description --** This fund is used to account for the sale of property descriptions and aerial maps to the general public.

**Sheriff Inmate Concession --** This fund is used to account for the operations of a store for Calhoun County Jail inmates. Funding is provided through sales of merchandise.

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2006**

	(503) Property Description	(595) Sheriff Inmate Concession	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 10,565	\$ 77,010	\$ 87,575
Capital assets, net	1,714	-	1,714
Total assets	12,279	77,010	89,289
<b>Current liabilities</b>			
Accounts payable	-	55,823	55,823
<b>Net assets</b>			
Invested in capital assets	1,714	-	1,714
Unrestricted	10,565	21,187	31,752
Total net assets	\$ 12,279	\$ 21,187	\$ 33,466

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2006**

	(503) Property Description	(595) Sheriff Inmate Concession	Total
<b>Operating revenue</b>			
Charges for services	\$ -	\$ 789,694	\$ 789,694
<b>Operating expenses</b>			
Depreciation	2,136	-	2,136
Other	-	664,950	664,950
Total operating expenses	2,136	664,950	667,086
Income (loss) before transfers	(2,136)	124,744	122,608
<b>Transfers</b>			
Transfers out	-	(189,117)	(189,117)
Change in fund net assets	(2,136)	(64,373)	(66,509)
Net assets, beginning of year	14,415	85,560	99,975
<b>Net assets, end of year</b>	<u>\$ 12,279</u>	<u>\$ 21,187</u>	<u>\$ 33,466</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended December 31, 2006**

	(503) Property Description	(595) Sheriff Inmate Concession	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ -	\$ 789,694	\$ 789,694
Cash payments to suppliers	-	(717,015)	(717,015)
Net cash provided by (used in) operating activities	-	72,679	72,679
<b>Cash flows from non-capital financing activities</b>			
Transfers in	-	(189,117)	(189,117)
Net increase (decrease) in cash and cash equivalents	-	(116,438)	(116,438)
Cash and cash equivalents, beginning of year	10,565	193,448	204,013
<b>Cash and cash equivalents, end of year</b>	<b>\$ 10,565</b>	<b>\$ 77,010</b>	<b>\$ 87,575</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ (2,136)	\$ 124,744	\$ 122,608
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operations:			
Depreciation	2,136	-	2,136
Changes in assets and liabilities:			
Accounts payable	-	(52,065)	(52,065)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ -</b>	<b>\$ 72,679</b>	<b>\$ 72,679</b>



# **INTERNAL SERVICE FUNDS**

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**Description of Funds**  
**Combining Financial Statements**

# INTERNAL SERVICE FUNDS

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**Equipment Purchases --** This fund is used to account for certain equipment purchases made on a centralized basis.

**Buildings & Grounds --** This fund is used to record the operation and maintenance of County buildings. Revenue is derived from building rents.

**Administrative Services --** This fund is used to account for the operations of printing, mailing and telephone services, and data processing. Funding is provided through departmental user charges and contractual agreements.

**Insurance --** This fund is used to account for the liability insurance coverage to the County. Funds are provided by a General Fund appropriation.

**Employee Benefits --** This fund is used to account for various employee benefits which include health, dental, life, and disability insurance, and unemployment compensation claims. Funding is provided by charges to user departments.

**Workers' Compensation --** This fund is used to record worker's compensation expenses and premium coverage from catastrophic loss. Financing for this fund is provided by departmental user charges.

**Sick & Accident --** This fund is used to account for self-insured short-term disability claims. Funding is provided by charges to user departments.

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2006**

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 997,380	\$ 260,962	\$ 375,740
Cash on hand with agents	-	-	-	15,270
Accounts receivable	-	872	4,482	-
Inventory	-	-	7,595	-
Prepaid items	-	-	20,064	-
Total current assets	-	998,252	293,103	391,010
Capital assets, net	-	2,314,632	415,913	-
Total assets	-	3,312,884	709,016	391,010
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	221,090	73,825	-
Accrued payroll	-	9,722	5,633	-
Claims payable	-	-	-	201,315
Due to other funds	-	275,400	-	-
Advances from other funds	-	314,600	-	-
Current portion of capital leases payable	-	-	44,385	-
Total current liabilities	-	820,812	123,843	201,315
Long-term liabilities:				
Capital leases payable	-	-	183,646	-
Total liabilities	-	820,812	307,489	201,315
<b>Net assets</b>				
Invested in capital assets, net of related debt	-	2,314,632	187,882	-
Unrestricted	-	177,440	213,645	189,695
Total net assets	\$ -	\$ 2,492,072	\$ 401,527	\$ 189,695

<b>(694) Employee Benefits</b>		<b>(695) Workers' Compensation</b>		<b>(696) Sick &amp; Accident</b>		<b>Total</b>
\$	645,542	\$	335,151	\$	122,060	\$ 2,736,835
	-		-		-	15,270
	-		-		11,082	16,436
	-		-		-	7,595
	925		-		-	20,989
	646,467		335,151		133,142	2,797,125
	-		-		-	2,730,545
	646,467		335,151		133,142	5,527,670
	22,699		-		-	317,614
	-		-		-	15,355
	304,537		287,005		-	792,857
	-		-		-	275,400
	-		-		-	314,600
	-		-		-	44,385
	327,236		287,005		-	1,760,211
	-		-		-	183,646
	327,236		287,005		-	1,943,857
	-		-		-	2,502,514
	319,231		48,146		133,142	1,081,299
\$	319,231	\$	48,146	\$	133,142	\$ 3,583,813

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Revenue, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2006**

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
<b>Operating revenue</b>				
Charges for services	\$ -	\$ 2,341,633	\$ 1,056,508	\$ 742,623
Other	-	56,601	-	-
Total operating revenue	-	2,398,234	1,056,508	742,623
<b>Operating expenses</b>				
Administration	-	-	-	-
Cost of services	-	1,861,922	949,093	556,302
Depreciation	2,582	176,700	170,679	-
Total operating expenses	2,582	2,038,622	1,119,772	556,302
Operating income (loss)	(2,582)	359,612	(63,264)	186,321
<b>Non-operating revenue</b>				
Interest revenue	-	-	-	402
Income (loss) before transfers	(2,582)	359,612	(63,264)	186,723
<b>Transfers</b>				
Transfers in	-	302,644	73,000	-
Transfers (out)	-	(264,566)	-	-
Total transfers	-	38,078	73,000	-
Change in fund net assets	(2,582)	397,690	9,736	186,723
Net assets, beginning of year	2,582	2,094,382	391,791	2,972
<b>Net assets, end of year</b>	\$ -	\$ 2,492,072	\$ 401,527	\$ 189,695

<b>(694)</b> <b>Employee</b> <b>Benefits</b>	<b>(695)</b> <b>Workers'</b> <b>Compensation</b>	<b>(696)</b> <b>Sick &amp;</b> <b>Accident</b>	<b>Total</b>
\$ 5,110,534	\$ 283,548	\$ 331,121	\$ 9,865,967
-	-	-	56,601
5,110,534	283,548	331,121	9,922,568
24,831	662	238,216	263,709
5,683,827	256,264	16,441	9,323,849
-	-	-	349,961
5,708,658	256,926	254,657	9,937,519
(598,124)	26,622	76,464	(14,951)
-	-	-	402
(598,124)	26,622	76,464	(14,549)
-	-	-	375,644
-	-	-	(264,566)
-	-	-	111,078
(598,124)	26,622	76,464	96,529
917,355	21,524	56,678	3,487,284
\$ 319,231	\$ 48,146	\$ 133,142	\$ 3,583,813

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2006**

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
<b>Cash flows from operating activities</b>				
Cash received from interfund services	\$ -	\$ 2,398,344	\$ 1,053,025	\$ 750,854
Cash payments to suppliers	-	(761,434)	(600,753)	(695,112)
Cash payments to employees	-	(556,487)	(300,155)	-
Net cash provided by (used in) operating activities	-	1,080,423	152,117	55,742
<b>Cash flows from non-capital financing activities</b>				
Transfers in	-	302,644	73,000	-
Transfers (out)	-	(264,566)	-	-
Net cash provided by (used in) non-capital financing activities	-	38,078	73,000	-
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	-	(608,456)	(53,708)	-
Capital lease payments	-	-	(42,600)	-
Net cash provided by (used in) capital and related financing activities	-	(608,456)	(96,308)	-
<b>Cash flows from investing activities</b>				
Interest earned	-	-	-	402
Net increase (decrease) in cash and cash equivalents	-	510,045	128,809	56,144
Cash and cash equivalents, beginning of year	-	487,335	132,153	319,596
<b>Cash and cash equivalents, end of year</b>	\$ -	\$ 997,380	\$ 260,962	\$ 375,740

<b>(694)</b> <b>Employee</b> <b>Benefits</b>	<b>(695)</b> <b>Workers'</b> <b>Compensation</b>	<b>(696)</b> <b>Sick &amp;</b> <b>Accident</b>	<b>Total</b>
\$ 5,110,534	\$ 283,548	\$ 320,039	\$ 9,916,344
(5,685,403)	(247,922)	(234,777)	(8,225,401)
-	-	-	(856,642)
(574,869)	35,626	85,262	834,301
-	-	-	375,644
-	-	-	(264,566)
-	-	-	111,078
-	-	-	(662,164)
-	-	-	(42,600)
-	-	-	(704,764)
-	-	-	402
(574,869)	35,626	85,262	241,017
1,220,411	299,525	36,798	2,495,818
\$ 645,542	\$ 335,151	\$ 122,060	\$ 2,736,835

(continued...)



**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Cash Flows (Concluded)**  
**Internal Service Funds**  
**For the Year Ended December 31, 2006**

	(402) Equipment Purchases	(631) Building & Grounds	(636) Administrative Services	(677) Insurance
<b>Reconciliation of operating income (loss)</b>				
<b>to net cash provided by (used in)</b>				
<b>operating activities</b>				
Operating income (loss)	\$ (2,582)	\$ 359,612	\$ (63,264)	\$ 186,321
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operations:				
Depreciation	2,582	176,700	170,679	-
Changes in assets and liabilities:				
Accounts receivable	-	110	(3,483)	8,231
Inventory	-	-	1,623	-
Prepaid items and other assets	-	-	16,772	(15,270)
Accounts payable	-	16,256	31,158	(430)
Accrued payroll	-	(586)	(1,368)	-
Claims payable	-	-	-	(123,110)
Interfund payable	-	275,400	-	-
Advances from other funds	-	252,931	-	-
<b>Net cash provided by (used in)</b>				
<b>operating activities</b>	<u>\$ -</u>	<u>\$ 1,080,423</u>	<u>\$ 152,117</u>	<u>\$ 55,742</u>

<b>(694)</b> <b>Employee</b> <b>Benefits</b>	<b>(695)</b> <b>Workers'</b> <b>Compensation</b>	<b>(696)</b> <b>Sick &amp;</b> <b>Accident</b>	<b>Total</b>
\$ (598,124)	\$ 26,622	\$ 76,464	\$ (14,951)
-	-	-	349,961
-	-	(11,082)	(6,224)
-	-	-	1,623
(925)	-	19,880	20,457
(13)	-	-	46,971
-	-	-	(1,954)
24,193	9,004	-	(89,913)
-	-	-	275,400
-	-	-	252,931
\$ (574,869)	\$ 35,626	\$ 85,262	\$ 834,301

# **FIDUCIARY FUNDS**

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**Description of Funds**  
**Combining Financial Statements**

# FIDUCIARY FUNDS

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## **PENSION TRUST FUNDS:**

**Employee's Defined Benefit** -- This fund is used to account for the operations of the Defined Benefit Pension Plan.

**Employee Benefits** -- This fund is used to account for the administrative costs of operating the County's 401(k) Pension Plan.

**Flexible Benefits** -- This fund is used to account for donations held under a trust agreement as well as all other donations not accounted for elsewhere.

## **AGENCY FUNDS:**

**Trust and Agency** -- This fund is used to account for assets held by Calhoun County acting as an agent for individuals, private organizations, other governmental units, and other funds.

**Penal Fines** -- This fund is used to account for money that is received from the courts for fines imposed as a result of State law violations.

**Inmate Trust** -- This fund is used to account for inmate monies held by the County while incarcerated.

**Friend of the Court** -- This fund is used to account for monies collected from non-custodial parents for distribution to custodial parents and/or other governmental units.

**District Court** -- This fund is used to account for various fines and bonds collected and subsequently distributed.

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Fiduciary Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**December 31, 2006**

	(735) Employee's Defined Benefit	(731) Employee Benefits	(734) Flexible Benefits	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 60,862	\$ 9,289	\$ 56,298	\$ 126,449
Investments:				
U.S. government securities	1,401,064	-	-	1,401,064
Corporate bonds	1,306,785	-	-	1,306,785
Mutual and cash management funds	3,347,591	-	-	3,347,591
Accounts receivable	-	2,357	-	2,357
 Total assets	 6,116,302	 11,646	 56,298	 6,184,246
<b>Liabilities</b>				
Accounts payable	-	2,005	-	2,005
<b>Net assets held in trust for</b>				
Retirement benefits	6,116,302	-	-	6,116,302
Employee benefits	-	9,641	56,298	65,939
 Total net assets	 \$ 6,116,302	 \$ 9,641	 \$ 56,298	 \$ 6,182,241

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Changes in Plan Net Assets**  
**Pension and Other Employee Benefit Trust Funds**  
**For the Year Ended December 31, 2006**

	(735) Employee's Defined Benefit	(731) Employee Benefits	(734) Flexible Benefits	Total
<b>Additions:</b>				
Investment income:				
Interest and dividends	\$ 484,401	\$ 34	\$ -	\$ 484,435
Contributions:				
Employer	740,089	-	-	740,089
Employee	1,004,694	-	212,088	1,216,782
Forfeitures	-	10,000	-	10,000
Total additions	2,229,184	10,034	212,088	2,451,306
<b>Deductions:</b>				
Pension benefits paid to participants	269,306	-	-	269,306
Actuarial fees	19,403	-	-	19,403
Administrative fees	-	8,327	-	8,327
Refunds	166,595	-	-	166,595
Employee reimbursements	-	-	198,759	198,759
Total deductions	455,304	8,327	198,759	662,390
Net increase	1,773,880	1,707	13,329	1,788,916
<b>Net assets held in trust for pension benefits</b>				
Beginning of year	4,342,422	7,934	42,969	4,393,325
End of year	\$ 6,116,302	\$ 9,641	\$ 56,298	\$ 6,182,241

**COUNTY OF CALHOUN, MICHIGAN**  
**Combining Statement of Assets and Liabilities**  
**Agency Funds**  
**December 31, 2006**

	<b>Trust and Agency</b>	<b>Penal Fines</b>	<b>Inmate Trust</b>	<b>Friend of the Court</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,083,911	\$ 121,222	\$ 177,620	\$ 5,461
Accounts receivable	181,052	28,152	-	-
Total assets	<u>\$ 1,264,963</u>	<u>\$ 149,374</u>	<u>\$ 177,620</u>	<u>\$ 5,461</u>
<b>Liabilities</b>				
Accounts payable	\$ 394,468	\$ -	\$ -	\$ -
Due to individuals and agencies	402,381	-	177,620	5,461
Due to other government units	468,114	149,374	-	-
Total liabilities	<u>\$ 1,264,963</u>	<u>\$ 149,374</u>	<u>\$ 177,620</u>	<u>\$ 5,461</u>

District Court		Total	
\$	503,202	\$	1,891,416
	-		209,204
\$	503,202	\$	2,100,620
\$	-	\$	394,468
	503,202		1,088,664
	-		617,488
\$	503,202	\$	2,100,620



**COUNTY OF CALHOUN, MICHIGAN**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For the Year Ended December 31, 2006**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b><u>TRUST AND AGENCY FUND</u></b>				
<b>Assets</b>				
Cash	\$ 1,367,102	\$ 35,426,621	\$ 35,709,812	\$ 1,083,911
Accounts receivable	-	285,488	104,436	181,052
Total assets	<u>\$ 1,367,102</u>	<u>\$ 35,712,109</u>	<u>\$ 35,814,248</u>	<u>\$ 1,264,963</u>
<b>Liabilities</b>				
Accounts payable	\$ 366,895	\$ 25,945,291	\$ 25,917,718	\$ 394,468
Due to individuals and agencies	513,849	2,390,651	2,502,119	402,381
Due to other governmental units	486,358	32,338,485	32,356,729	468,114
Total liabilities	<u>\$ 1,367,102</u>	<u>\$ 60,674,427</u>	<u>\$ 60,776,566</u>	<u>\$ 1,264,963</u>
<b><u>PENAL FINES</u></b>				
<b>Assets</b>				
Cash	\$ 103,880	\$ 473,460	\$ 456,118	\$ 121,222
Accounts receivable	27,319	28,152	27,319	28,152
Total assets	<u>\$ 131,199</u>	<u>\$ 501,612</u>	<u>\$ 483,437</u>	<u>\$ 149,374</u>
<b>Liabilities</b>				
Due to other governmental units	<u>\$ 131,199</u>	<u>\$ 502,140</u>	<u>\$ 483,965</u>	<u>\$ 149,374</u>

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**(Continued)**  
**For the Year Ended December 31, 2006**

	Beginning Balance	Additions	Reductions	Ending Balance
<b><u>SHERIFF INMATE TRUST FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 119,459	\$ 149,859	\$ 91,698	\$ 177,620
<b>Liabilities</b>				
Due to individuals and agencies	\$ 119,459	\$ 4,613,347	\$ 4,555,186	\$ 177,620
<b><u>FRIEND OF THE COURT FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 4,651	\$ 507,271	\$ 506,461	\$ 5,461
<b>Liabilities</b>				
Due to individuals and agencies	\$ 4,651	\$ 507,271	\$ 506,461	\$ 5,461
<b><u>DISTRICT COURT FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 557,063	\$ 18,554,315	\$ 18,608,176	\$ 503,202
<b>Liabilities</b>				
Due to individuals and agencies	\$ 557,063	\$ 18,554,315	\$ 18,608,176	\$ 503,202

(continued...)

**COUNTY OF CALHOUN, MICHIGAN**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**(Concluded)**  
**For the Year Ended December 31, 2006**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,152,155	\$ 55,111,526	\$ 55,372,265	\$ 1,891,416
Accounts receivable	27,319	313,640	131,755	209,204
	<hr/>			
Total assets	\$ 2,179,474	\$ 55,425,166	\$ 55,504,020	\$ 2,100,620
	<hr/>			
<b>Liabilities</b>				
Accounts payable	\$ 366,895	\$ 25,945,291	\$ 25,917,718	\$ 394,468
Due to individuals and agencies	1,195,022	26,065,584	26,171,942	1,088,664
Due to other governmental units	617,557	32,840,625	32,840,694	617,488
	<hr/>			
Total liabilities	\$ 2,179,474	\$ 84,851,500	\$ 84,930,354	\$ 2,100,620
	<hr/>			

# **DRAIN COMMISSION COMPONENT UNIT**

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**Description of Funds**  
**Combining Component Unit Financial Statements**

# DRAIN COMMISSION COMPONENT UNIT

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**County Drain --** This fund is used to record construction, maintenance and storm repair expenditures for all drains which are not accounted for in other drain capital projects funds.

**Lake Level --** This fund is used to account for revenues and expenditures related to the control of lake levels.

**Drain Revolving --** This fund is used to account for monies advanced for engineering, surveys, and other preliminary costs of new drains. Monies for the operation of this fund are supplied by an advance from the County General Fund and reimbursements from drain funds as special assessments are collected.

**Lake Level Revolving --** This fund is used to account for money advanced for engineering and other preliminary costs of a lake level project.

**COUNTY OF CALHOUN, MICHIGAN**  
**Drain Commission Component Unit**  
**Statement of Net Assets / Governmental Funds Balance Sheet**  
**December 31, 2006**

	Capital Projects Funds			
	County Drain	Lake Level	Drain Revolving	Lake Level Revolving
<b>Assets</b>				
Cash and cash equivalents	\$ 366,023	\$ 60,495	\$ 12,574	\$ 11,032
Receivables:				
Accrued interest	3,826	23	-	-
Special assessments	1,296,949	258,826	-	-
Due from other governments	5,510	-	-	-
Due from other funds	-	432	53,426	-
Capital assets, net	-	-	-	-
<b>Total assets</b>	<b>\$ 1,672,308</b>	<b>\$ 319,776</b>	<b>\$ 66,000</b>	<b>\$ 11,032</b>
<b>Liabilities</b>				
Accounts payable	\$ 3,708	\$ 1,766	\$ -	\$ -
Accrued liabilities	-	-	-	-
Due to other funds	53,426	-	-	432
Advance from primary government	-	-	66,000	10,600
Deferred revenue	1,322,711	292,207	-	-
Long-term debt:				
Due in one year	-	-	-	-
Due in more than one year	-	-	-	-
<b>Total liabilities</b>	<b>1,379,845</b>	<b>293,973</b>	<b>66,000</b>	<b>11,032</b>
<b>Fund balances</b>				
Unreserved, undesignated	292,463	25,803	-	-
<b>Total liabilities and fund balances</b>	<b>\$ 1,672,308</b>	<b>\$ 319,776</b>	<b>\$ 66,000</b>	<b>\$ 11,032</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt				
Unrestricted				
<b>Total net assets</b>				

<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
\$ 450,124	\$ -	\$ 450,124
3,849	-	3,849
1,555,775	-	1,555,775
5,510	-	5,510
53,858	(53,858)	-
-	3,308,256	3,308,256
<u>\$ 2,069,116</u>	<u>3,254,398</u>	<u>5,323,514</u>
\$ 5,474	\$ -	\$ 5,474
-	128,343	128,343
53,858	(53,858)	-
76,600	-	76,600
1,614,918	(1,614,918)	-
-	334,179	334,179
-	1,435,263	1,435,263
1,750,850	229,009	1,979,859
318,266	(318,266)	-
<u>\$ 2,069,116</u>		
	1,538,814	1,538,814
	<u>1,804,841</u>	<u>1,804,841</u>
	<u>\$ 3,343,655</u>	<u>\$ 3,343,655</u>

**COUNTY OF CALHOUN, MICHIGAN**  
**Drain Commission Component Unit**  
**Reconciliation of Fund Balances of**  
**Capital Projects Funds to Net Assets**  
**December 31, 2006**

Fund balances - total capital projects funds	\$ 318,266
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources, and therefore not reported in the funds.

Add: capital assets being depreciated, net	3,308,256
--	-----------

Because the focus of capital projects funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the capital projects funds, and thus are not included in fund balance.

Add: deferred special assessments receivable	1,614,918
--	-----------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Deduct: bonds payable, long-term portion	(1,435,263)
Deduct: bonds payable, current portion	(334,179)
Deduct: accrued interest on long-term liabilities	<u>(128,343)</u>

Net assets	<u><u>\$ 3,343,655</u></u>
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**COUNTY OF CALHOUN, MICHIGAN**  
**Drain Commission Component Unit**  
**Statement of Activities / Governmental Funds Revenue, Expenditures**  
**and Changes in Fund Balance**  
**For the Year Ended December 31, 2006**

	<b>Capital Projects Funds</b>			
	<b>County Drain</b>	<b>Lake Level</b>	<b>Drain Revolving</b>	<b>Lake Level Revolving</b>
<b>Revenue</b>				
Special assessments	\$ 349,626	\$ 3,000	\$ -	\$ -
Interest and rentals	28,315	75	-	-
Total revenue	377,941	3,075	-	-
<b>Expenditures/Expense</b>				
Public works	176,100	149,585	-	-
Debt service:				
Principal	423,904	7,000	-	-
Interest and fiscal charges	56,900	544	-	-
Total expenditures/expenses	656,904	157,129	-	-
Revenue over (under) expenditures	(278,963)	(154,054)	-	-
<b>Other financing sources</b>				
Note proceeds	158,050	85,000	-	-
Change in net asests / fund balances	(120,913)	(69,054)	-	-
Net assets / fund balances:				
Beginning of year	413,376	94,857	-	-
<b>End of year</b>	<b>\$ 292,463</b>	<b>\$ 25,803</b>	<b>\$ -</b>	<b>\$ -</b>

<b>Total</b>		<b>Adjustments</b>		<b>Statement of Activities</b>	
\$	352,626	\$	419,702	\$	772,328
	28,390		-		28,390
	381,016		419,702		800,718
	325,685		(77,565)		248,120
	430,904		(430,904)		-
	57,444		10,844		68,288
	814,033		(497,625)		316,408
	(433,017)		917,327		
	243,050		(243,050)		
	(189,967)		674,277		484,310
	508,233		2,351,112		2,859,345
\$	318,266	\$	3,025,389	\$	3,343,655

**COUNTY OF CALHOUN, MICHIGAN**  
**Drain Commission Component Unit**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Capital Projects Funds to the Statement of Activities**  
**For the Year Ended December 31, 2006**

Net change in fund balances - total capital projects funds	\$	(189,967)
--	----	-----------

Amounts reported in the statement of activities are different because:

Capital projects funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		153,855
Deduct: depreciation expense		(76,290)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: change in deferred special assessments		419,702
---	--	---------

Bond proceeds provide current financial resources to capital projects funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the capital projects funds, but the repayment reduces long term-liabilities.

Add: principal payments on long-term liabilities		430,904
Deduct: proceeds from the issuance of notes payable		(243,050)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in capital projects funds.

Deduct: change in accrued interest on bonds		(10,844)
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Change in net assets	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">484,310</div>
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## ***STATISTICAL SECTION***

## STATISTICAL SECTION

This part of Calhoun County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> (Schedules 1 thru 5)	137-144
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b> (Schedules 6 thru 9)	145-148
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
<b>Debt Capacity</b> (Schedules 10 thru 12)	149-151
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b> (Schedules 13 thru 15)	152-154
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
<b>Operating Information</b> (Schedules 16 thru 18)	155-158
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CALHOUN COUNTY**  
**Net Assets by Component**  
**Last Four Years (A)**  
*(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 24,917,772	\$ 26,187,657	\$ 26,169,587	\$ 26,820,780
Restricted	3,175,553	7,352,100	9,761,506	12,578,097
Unrestricted	4,078,915	3,095,329	2,485,207	3,163,653
Total governmental activities net assets	<u>\$ 32,172,240</u>	<u>\$ 36,635,086</u>	<u>\$ 38,416,300</u>	<u>\$ 42,562,530</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 2,667,701	\$ 2,368,673	\$ 2,383,023	\$ 2,088,376
Restricted	8,150,319	8,150,319	6,473,620	16,933,437
Unrestricted	14,459,298	15,396,070	18,010,841	10,079,667
Total business-type activities net assets	<u>\$ 25,277,318</u>	<u>\$ 25,915,062</u>	<u>\$ 26,867,484</u>	<u>\$ 29,101,480</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 27,585,473	\$ 28,556,330	\$ 28,552,610	\$ 28,909,156
Restricted	11,325,872	15,502,419	16,235,126	29,511,534
Unrestricted	18,538,213	18,491,399	20,496,048	13,243,320
Total primary government net assets	<u>\$ 57,449,558</u>	<u>\$ 62,550,148</u>	<u>\$ 65,283,784</u>	<u>\$ 71,664,010</u>

(A) - Calhoun County implementaed GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Calhoun County Finance Department

**CALHOUN COUNTY**  
**Changes in Net Assets**  
**Last Four Years (A)**  
*(accrual basis of accounting)*

	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
Legislative	\$ 245,482	\$ 230,854	\$ 235,010	\$ 230,620
Judicial	11,635,598	11,569,900	12,423,746	12,482,683
General government	3,837,550	6,532,765	6,684,366	6,577,864
Public safety	16,317,111	17,320,180	18,481,346	18,139,312
Public works	86,098	81,496	105,166	104,239
Health and welfare	13,456,711	14,241,240	14,834,373	14,017,558
Recreation and cultural	1,304,732	1,285,261	1,286,701	1,489,081
Other activities	2,372,566	211,442	2,174	-
Interest on long-term debt	556,947	416,703	349,726	317,147
Total governmental activities expenses	49,812,795	51,889,841	54,402,608	53,358,504
Business-type activities:				
Medical Care Facility	9,238,743	9,163,132	9,183,020	10,493,607
Delinquent tax collection	154,424	238,944	299,849	279,275
Other business-type activities	625,353	672,822	749,119	667,086
Total business-type activities expenses	10,018,520	10,074,898	10,231,988	11,439,968
Total primary government expenses	59,831,315	61,964,739	64,634,596	64,798,472
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
Legislative	-	-	60	2,647
Judicial	4,068,932	3,971,477	4,093,128	4,252,948
General government	1,772,050	1,608,462	1,628,439	1,508,235
Public safety	5,465,928	5,462,496	5,594,938	6,501,626
Public works	-	-	-	-
Health and welfare	770,827	799,523	812,865	786,829
Recreation and cultural	469,278	438,780	439,650	412,788
Other activities	-	-	-	-
Operating grants and contributions	17,068,133	16,455,320	15,863,153	15,807,506
Capital grants and contributions	-	31,424	-	-
Total governmental activities program revenues	29,615,148	28,767,482	28,432,233	29,272,579
Business-type activities:				
Charges for services:				
Medical Care Facility	8,380,924	8,883,836	8,906,789	10,356,094
Delinquent tax collection	1,532,047	1,306,302	1,596,744	2,143,574
Other business-type activities	627,726	709,222	788,272	789,694
Operating grants and contributions	442,177	631,816	1,001,194	1,330,785
Total business-type activities program revenues	10,982,874	11,531,176	12,292,999	14,620,147
Total primary government program revenues	40,598,022	40,298,658	40,725,232	43,892,726

**CALHOUN COUNTY**  
**Changes in Net Assets (Concluded)**  
**Last Four Fiscal Years (A)**  
*(accrual basis of accounting)*

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Net (Expense)/Revenue</b>				
Government activities	\$ (20,197,647)	\$ (23,122,359)	\$ (25,970,375)	\$ (24,085,925)
Business-type activities	964,354	1,456,278	2,061,011	3,180,179
Total primary government net expense	(19,233,293)	(21,666,081)	(23,909,364)	(20,905,746)
<b>General Revenues</b>				
Governmental activities:				
Property taxes	\$ 19,314,374	\$ 25,299,765	\$ 24,740,374	\$ 25,284,240
Unrestricted grants and contributions	447,192	486,212	469,410	486,774
Investment earnings	180,688	200,159	400,343	636,463
Gain on sale of capital assets	10,148	150	49,119	5,900
Transfers	1,112,441	1,604,755	1,989,009	1,863,778
Total governmental activities	21,064,843	27,591,041	27,648,255	28,277,155
Business-type activities:				
Property taxes	761,311	786,221	880,423	917,934
Investment earnings	-	-	-	-
Transfers	(1,112,441)	(1,604,755)	(1,989,009)	(1,864,117)
Total business-type activities	(351,130)	(818,534)	(1,108,586)	(946,183)
Total primary government	20,713,713	26,772,507	26,539,669	27,330,972
<b>Change in Net Assets</b>				
Government activities	867,196	4,468,682	1,677,880	4,191,230
Business-type activities	613,224	637,744	952,425	2,233,996
Total primary government	\$ 1,480,420	\$ 5,106,426	\$ 2,630,305	\$ 6,425,226

(A) - Calhoun County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Calhoun County Finance Department



**CALHOUN COUNTY**  
**Fund Balances - Governmental Funds**  
**Last Four Years (A)**  
*(modified accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Fund</b>				
Reserved	\$ 77,200	\$ 76,600	\$ 76,600	\$ 77,520
Unreserved	<u>3,171,366</u>	<u>2,281,002</u>	<u>1,952,034</u>	<u>2,912,949</u>
Total general fund	<u><u>\$ 3,248,566</u></u>	<u><u>\$ 2,357,602</u></u>	<u><u>\$ 2,028,634</u></u>	<u><u>\$ 2,990,469</u></u>
 <b>All Other Governmental Funds</b>				
Reserved	\$ -	\$ 9,659	\$ 5,312	\$ 38,503
Unreserved, reported in:				
Special revenue funds	2,395,502	7,226,693	9,624,240	12,375,818
Debt service funds	772,821	12,167	129,783	123,662
Permanent funds	<u>37,864</u>	<u>38,002</u>	<u>38,453</u>	<u>2,304</u>
Total all other governmental funds	<u><u>\$ 3,206,187</u></u>	<u><u>\$ 7,286,521</u></u>	<u><u>\$ 9,797,788</u></u>	<u><u>\$ 12,540,287</u></u>

(A) - Calhoun County implementaed GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Calhoun County Finance Department

**CALHOUN COUNTY**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Years**  
*(modified accrual basis of accounting)*

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
<b>Revenues</b>					
Taxes and Special Assessments	\$ 15,858,437	\$ 16,807,393	\$ 17,237,189	\$ 17,879,856	\$ 18,420,927
Licenses and permits	383,976	425,619	381,283	380,519	364,529
Intergovernmental	12,920,331	14,356,866	14,330,411	15,886,898	16,518,140
Charges for services	8,037,726	8,079,144	8,731,054	9,218,508	9,070,713
Fines and forfeits	1,167,599	1,167,117	1,032,951	980,181	948,283
Interest and rents	548,086	817,424	883,543	933,585	816,258
Other revenues	1,196,340	1,040,605	1,169,780	1,573,887	1,774,171
Total revenues	40,112,495	42,694,168	43,766,211	46,853,434	47,913,021
<b>Expenditures</b>					
Legislative	121,820	140,992	176,065	180,323	186,123
Judicial	8,978,073	9,251,689	9,200,979	9,394,487	10,321,972
General government	3,871,761	4,427,980	4,889,875	4,973,391	4,971,155
Public safety	8,142,980	9,064,681	10,510,472	11,677,490	12,249,852
Public works	44,524	54,870	66,479	63,262	90,194
Health and Welfare	11,230,885	12,494,696	13,931,311	13,559,634	13,838,748
Recreation and cultural	-	-	-	-	-
Other activities	2,686,274	2,840,831	2,998,527	2,935,378	3,056,857
Debt service:					
Principal	3,466,336	2,026,105	2,236,344	2,346,586	2,371,980
Interest	1,562,855	2,236,344	1,046,656	935,829	823,743
Capital outlay	524,662	407,999	593,194	456,752	197,633
Less: Reimbursements	(443,349)	(533,532)	(219,231)	-	-
Total expenditures	40,186,821	42,412,655	45,430,671	46,523,132	48,108,257
Revenues over (under) expenditures	(74,326)	281,513	(1,664,460)	330,302	(195,236)
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	22,151,665	-	-	-	-
Payments to escrow agent	(22,151,665)	-	-	-	-
Capital lease proceeds	-	-	-	-	-
Transfers in	6,835,949	6,211,971	6,090,702	6,019,808	6,887,240
Transfers out	(6,184,716)	(5,613,063)	(5,481,472)	(5,396,866)	(5,871,448)
Transfer to component unit	(3,780)	(3,780)	(3,780)	(242,787)	-
Total other financing sources (uses)	647,453	595,128	605,450	380,155	1,015,792
<b>Net changes in fund balances</b>	<b>\$ 573,127</b>	<b>\$ 876,641</b>	<b>\$ (1,059,010)</b>	<b>\$ 710,457</b>	<b>\$ 820,556</b>
Debt services as a percentage of noncapital expenditures	8.7%	4.8%	5.0%	5.1%	5.0%

Source: Calhoun County Finance Department

**Schedule 4**  
**UNAUDITED**

<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$ 19,482,824	\$ 19,706,493	\$ 25,559,576	\$ 24,734,469	\$ 25,168,976
412,396	3,180,063	3,591,686	4,347,485	397,905
16,377,836	12,597,492	11,889,121	10,787,120	14,150,759
10,577,756	10,827,782	10,662,423	10,677,921	11,885,817
1,069,140	950,419	810,869	1,149,638	1,066,578
533,812	840,193	674,843	596,957	1,016,798
2,089,614	1,546,983	1,482,186	1,804,723	2,104,470
<u>50,543,378</u>	<u>49,649,425</u>	<u>54,670,704</u>	<u>54,098,313</u>	<u>55,791,303</u>
217,551	195,403	187,300	185,610	188,974
10,534,792	10,738,937	10,892,938	11,571,595	11,538,869
5,445,848	10,373,446	5,999,219	6,161,596	6,074,052
13,357,586	14,329,568	15,584,368	16,129,522	15,940,259
74,217	198,143	81,496	105,166	104,239
13,990,987	8,883,689	14,398,696	14,815,786	14,123,808
-	1,094,946	1,104,299	1,200,254	1,430,257
3,354,903	2,372,566	2,537,423	2,390,705	2,339,609
2,279,416	3,677,737	2,085,571	624,042	676,077
712,096	564,769	422,985	356,827	324,464
412,460	536,599	695,465	839,730	1,082,921
-	-	-	-	-
<u>50,379,856</u>	<u>52,965,803</u>	<u>53,989,760</u>	<u>54,380,833</u>	<u>53,823,529</u>
<u>163,522</u>	<u>(3,316,378)</u>	<u>680,944</u>	<u>(282,520)</u>	<u>1,967,774</u>
-	-	-	-	-
-	-	-	-	-
-	-	67,000	45,000	28,860
7,534,019	8,157,974	10,117,868	10,820,769	10,492,532
(5,608,885)	(6,961,172)	(7,670,606)	(8,504,284)	(8,739,832)
-	-	-	-	-
<u>1,925,134</u>	<u>1,196,802</u>	<u>2,514,262</u>	<u>2,361,485</u>	<u>1,781,560</u>
<u>\$ 2,088,656</u>	<u>\$ (2,119,576)</u>	<u>\$ 3,195,206</u>	<u>\$ 2,078,965</u>	<u>\$ 3,749,334</u>
<u>4.6%</u>	<u>7.0%</u>	<u>3.9%</u>	<u>1.2%</u>	<u>1.3%</u>

**CALHOUN COUNTY**  
**Changes in Fund Balances - General Fund**  
**Last Ten Years**

*(modified accrual basis of accounting)*

	1997	1998	1999	2000	2001
<b>Revenues</b>					
Taxes	\$ 11,390,157	\$ 12,106,393	\$ 12,763,711	\$ 13,243,537	\$ 13,583,507
Licenses and permits	90,878	99,035	114,086	107,201	83,430
Intergovernmental	5,291,681	5,642,301	5,620,079	5,930,227	6,123,174
Charges for services	6,693,395	6,908,622	6,930,890	8,119,909	8,109,078
Fines and forfeits	1,121,452	1,154,764	1,019,439	967,370	930,530
Interest and rents	443,291	340,807	356,200	459,466	414,688
Other revenues	582,776	499,561	375,886	616,743	691,329
Total revenues	25,613,630	26,751,483	27,180,291	29,444,453	29,935,736
<b>Expenditures</b>					
Legislative	121,820	140,992	176,065	180,323	186,123
Judicial	6,206,579	6,259,444	6,395,348	6,698,312	7,243,503
General government	3,871,761	4,427,980	4,889,875	4,973,391	4,971,155
Public safety	7,289,813	8,072,346	9,064,564	9,811,009	10,279,917
Public works	44,524	54,870	66,479	63,262	90,194
Health and welfare	743,704	738,115	739,476	871,679	837,555
Other activities	2,044,481	2,083,611	2,400,790	2,060,756	2,199,487
Debt service - principal	-	-	-	-	-
Capital outlay	355,944	324,719	442,264	220,302	54,604
Less: reimbursements	(443,349)	(533,532)	(219,231)	-	-
Total expenditures	20,235,277	21,568,545	23,955,630	24,879,034	25,862,538
Revenues over (under) expenditures	5,378,353	5,182,938	3,224,661	4,565,419	4,073,198
<b>Other financing sources (uses)</b>					
Proceeds from capital leases	-	-	-	-	-
Transfers in	980,436	990,467	801,158	868,516	1,904,066
Transfers out	(5,806,791)	(5,475,891)	(5,376,677)	(5,049,210)	(5,745,885)
Transfers to component unit	(3,780)	(3,780)	(3,780)	(3,780)	-
Total other financing sources (uses)	(4,830,135)	(4,489,204)	(4,579,299)	(4,184,474)	(3,841,819)
<b>Net changes in fund balances</b>	<u>\$ 548,218</u>	<u>\$ 693,734</u>	<u>\$ (1,354,638)</u>	<u>\$ 380,945</u>	<u>\$ 231,379</u>

Source: Calhoun County Finance Department

**Schedule 5**  
**UNAUDITED**

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 14,255,700	\$ 15,253,145	\$ 15,585,141	\$ 15,933,547	\$ 16,449,007
77,441	72,586	84,729	93,439	76,368
6,017,173	5,441,526	4,323,001	3,009,127	2,972,748
9,652,108	10,033,582	9,887,270	9,876,911	10,918,876
1,061,352	895,844	800,899	1,117,372	1,039,297
232,873	179,922	199,462	316,649	378,759
662,400	625,894	603,932	966,515	1,033,703
<u>31,959,047</u>	<u>32,502,499</u>	<u>31,484,434</u>	<u>31,313,560</u>	<u>32,868,758</u>
217,551	195,403	187,300	185,610	188,974
7,316,118	7,518,324	7,880,352	8,156,960	8,072,594
5,445,848	5,635,978	5,999,219	6,161,596	6,074,052
11,021,344	11,781,114	12,677,734	12,926,533	12,970,217
74,217	86,098	81,496	105,166	104,239
857,107	894,540	885,481	909,717	943,284
2,314,669	2,371,940	2,406,961	2,385,234	2,321,051
-	-	-	-	9,261
225,800	153,947	223,758	139,064	161,241
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,472,654</u>	<u>28,637,344</u>	<u>30,342,301</u>	<u>30,969,880</u>	<u>30,844,913</u>
<u>4,486,393</u>	<u>3,865,155</u>	<u>1,142,133</u>	<u>343,680</u>	<u>2,023,845</u>
-	-	-	-	28,860
2,286,656	1,214,485	3,978,007	4,974,613	4,720,992
(5,496,227)	(5,492,367)	(6,005,268)	(5,647,261)	(5,811,862)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,209,571)</u>	<u>(4,277,882)</u>	<u>(2,027,261)</u>	<u>(672,648)</u>	<u>(1,062,010)</u>
<u>\$ 1,276,822</u>	<u>\$ (412,727)</u>	<u>\$ (885,128)</u>	<u>\$ (328,968)</u>	<u>\$ 961,835</u>

**CALHOUN COUNTY**  
**Assessed and Actual Value of Taxable Property**  
**Last Ten Years**  
*(in thousands of dollars)*

<u>Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Agriculture Property</u>	<u>Development Property</u>	<u>Personal Property</u>	<u>Total Assessed and Actual Value</u>	<u>Total Direct Tax Rate</u>
1997	\$ 1,379,383	\$ 335,721	\$ 106,922	\$ 160,846	\$ 2,336	\$ 425,801	\$ 2,411,009	\$ 7.3774
1998	1,526,459	356,044	113,146	186,557	1,954	442,794	2,626,954	7.2319
1999	1,675,656	379,339	137,246	193,699	1,995	477,477	2,865,412	7.2120
2000	1,826,089	429,723	141,601	220,246	2,520	461,814	3,081,993	7.2120
2001	1,981,607	455,571	159,793	248,706	2,426	522,580	3,370,683	7.1961
2002	2,117,143	501,549	172,685	276,432	2,860	549,719	3,620,388	6.6713
2003	2,236,939	511,836	187,748	284,419	4,071	552,139	3,777,152	6.6513
2004	2,365,271	529,554	198,177	317,677	6,004	537,287	3,953,970	6.3713
2005	2,510,293	539,629	199,068	346,984	6,022	509,030	4,111,026	6.3713
2006	2,643,132	547,919	201,169	381,904	5,379	524,870	4,304,373	6.3713

**Note:** Residential, commercial and industrial values are calculated without tax-exempt values

Source: County Equalization Department figures, exclusive of Industrial and Commercial Facility Tax and prior to any Board of Review actions.

**CALHOUN COUNTY**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
*(rate per \$1,000 of taxable value)*

		<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>County direct rates</b>											
Operation		\$ 5.41	\$ 5.41	\$ 5.39	\$ 5.39	\$ 5.37	\$ 5.37	\$ 5.37	\$ 5.37	\$ 5.37	\$ 5.38
Special voted		1.97	1.82	1.82	1.82	1.82	1.29	1.27	0.99	0.99	0.99
Total direct rate		<u>7.38</u>	<u>7.23</u>	<u>7.21</u>	<u>7.21</u>	<u>7.19</u>	<u>6.66</u>	<u>6.64</u>	<u>6.36</u>	<u>6.36</u>	<u>6.37</u>
<b>Overlapping rates</b>											
Cities:											
Albion		14.55	15.19	15.37	15.36	18.31	18.30	18.37	20.07	19.97	19.97
Albion - RZ		-	-	-	-	-	-	-	-	-	1.20
Battle Creek		13.27	13.03	13.00	13.00	13.00	13.00	13.00	13.00	13.92	14.48
Battle Creek - RZ		-	-	-	-	-	0.97	3.14	2.55	2.69	3.25
Battle Creek - DNR PILT		-	-	-	-	-	-	-	-	-	-
Marshall		16.76	16.76	16.76	16.76	16.76	16.76	16.76	16.73	16.76	16.76
Marshall - DDA		1.78	1.78	1.78	1.77	1.72	1.67	1.67	1.67	1.61	2.11
Springfield		14.76	15.00	15.00	15.00	15.00	15.00	14.00	15.00	15.00	15.00
Townships (average)	(A)	1.32	1.36	1.35	1.51	1.49	1.66	1.65	1.70	1.69	1.93
Villages (average)	(B)	10.41	13.46	13.37	13.46	13.40	13.24	13.07	12.88	12.50	12.80
School districts (average)	(C)	21.87	21.93	22.15	22.37	22.87	22.70	22.86	23.60	23.46	23.33
Intermediate school district (average)	(D)	4.84	4.54	4.78	4.74	4.72	4.49	4.67	4.65	4.94	4.93
Community college (average)	(E)	2.85	3.27	3.26	3.26	3.26	3.26	3.26	3.26	3.26	3.26
Library (average)	(F)	1.62	1.67	1.91	1.79	1.75	1.75	1.73	2.07	2.06	2.02
(A) - Rates range from:											
Low		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
High		3.97	3.98	3.95	3.95	3.91	3.92	3.87	3.86	3.94	4.38
(B) - Rates range from:											
Low		-	10.66	10.17	10.91	10.90	10.34	10.32	9.85	9.85	9.85
High		17.67	17.58	17.58	17.43	17.27	17.10	16.78	16.47	17.10	16.65
(C) - Rates range from:											
Low		17.82	17.82	17.82	18.00	18.10	18.00	18.00	20.00	20.00	20.00
High		31.23	30.23	29.23	28.23	31.04	29.87	29.19	28.21	27.35	27.05
(D) - Rates range from:											
Low		2.15	2.14	2.09	2.08	2.06	2.03	2.01	1.99	1.97	1.96
High		8.89	8.84	8.72	8.56	8.49	7.42	8.22	8.17	8.13	8.11
(E) - Rates range from:											
Low		2.82	2.82	2.82	2.82	2.82	2.81	2.81	2.81	2.81	2.81
High		2.87	3.72	3.71	3.71	3.71	3.71	3.71	3.71	3.71	3.71
(F) - Rates range from:											
Low		1.60	1.60	1.83	1.58	1.50	1.50	1.46	2.00	2.00	2.00
High		1.64	1.75	2.00	2.00	2.00	2.00	2.00	2.14	2.12	2.03

Source: Calhoun County Equalization Department - Apportionment Report.

**CALHOUN COUNTY**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
Kellogg Company	\$ 123,389,179	1	3.55%	\$ 211,544,575	1	8.78%
Denso Manufacturing Mi, Inc.	83,753,034	2	2.41%	36,608,100	4	1.52%
Consumers Energy Co.	46,136,929	3	1.33%	67,062,400	2	2.78%
Kraft Foods, Inc.	43,869,081	4	1.26%	42,495,338	3	1.76%
SEMCO Energy, Inc.	18,690,829	5	0.54%	25,338,929	5	1.05%
Ralcorp Holdings, Inc.	16,033,230	6	0.46%	16,131,650	7	0.67%
Vector Pipeline, LP	12,600,050	7	0.36%			
Lakeview Delaware	12,282,206	8	0.35%			
Eaton Corporation	12,010,114	9	0.35%	23,112,382	6	0.96%
Meijer, Inc.	11,759,271	10	0.34%			
Automotive Industries	-		-	11,365,941	8	0.47%
Forbes Cohen Properties	-		-	9,959,150	9	0.41%
State Farm Insurance Company	-		-	9,731,312	10	0.40%
	<u>\$ 380,523,923</u>		<u>10.96%</u>	<u>\$ 453,349,777</u>		<u>18.80%</u>

Source: Calhoun County Equalization Department.



## CALHOUN COUNTY

### Property Tax Levies and Collections

### Last Ten Years

							(1)
Year	Taxes Levied for the Fiscal Year		Collected within the Fiscal Year of the Levy		Subsequent Years Collections	Total Collections to Date	
			Amount	% of Levy		Amount	% of Levy
1997	\$	12,053,525	\$ 10,848,173	90.00%	\$ 1,179,936	\$ 12,028,109	99.79%
1998		12,676,818	11,590,156	91.43%	1,097,307	12,687,463	100.08%
1999		13,313,400	11,804,401	88.67%	1,478,210	13,282,611	99.77%
2000		13,561,775	12,254,650	90.36%	1,276,257	13,530,907	99.77%
2001		14,402,419	12,933,207	89.80%	1,484,115	14,417,322	100.10%
2002		15,124,938	13,781,041	91.11%	1,301,467	15,082,508	99.72%
2003		15,612,489	14,220,519	91.08%	1,318,018	15,538,537	99.53%
2004		16,196,573	14,874,267	91.84%	1,262,389	16,136,656	99.63%
2005		16,649,367	15,365,609	92.29%	1,252,454	16,618,063	99.81%
2006		17,472,152	16,264,916	93.09%	1,053,043	17,317,959	99.12%

Source: Calhoun County Treasurer's Office

(1) Personal property taxes recorded at 80%

**CALHOUN COUNTY**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Years**

Year	Taxable Value of Property	General Bonded Debt Outstanding			% of Personal Income	% of Actual Taxable Value of Property	Per Capita
		General Obligation Bonds	Less: Amounts Restricted to Repaying Principal	Net General Bonded Debt			
1997	\$ 2,226,033,017	\$ 26,100,721	\$ 40,443	\$ 26,060,278	0.81%	1.17%	\$ 186.54
1998	2,352,465,790	24,074,616	257,978	23,816,638	0.72%	1.01%	\$ 168.91
1999	2,497,550,209	21,838,272	600,311	21,237,961	0.63%	0.85%	\$ 150.22
2000	2,597,305,710	19,491,686	1,122,907	18,368,779	0.53%	0.71%	\$ 133.12
2001	2,810,965,726	17,119,706	1,814,528	15,305,178	0.44%	0.54%	\$ 110.77
2002	2,982,437,725	14,840,290	2,785,918	12,054,372	0.33%	0.40%	\$ 87.11
2003	3,111,551,148	11,162,553	717,829	10,444,724	0.28%	0.34%	\$ 75.22
2004	3,228,412,954	9,089,270	12,168	9,077,102	0.24%	0.28%	\$ 65.27
2005	3,318,085,093	8,481,241	13,118	8,468,123	0.22%	0.26%	\$ 60.84
2006	3,470,883,407	15,631,155	123,662	15,507,493	0.40%	0.45%	\$ 111.41

Source: Calhoun County Finance Department

**CALHOUN COUNTY**  
**Computation of Net Direct and Overlapping Debt**  
**As of December 31, 2006**

	<u>Gross Amount Outstanding</u>	<u>Self-Supporting or Paid by Benefited Entity</u>	<u>Net Amount Outstanding</u>
<b>Direct debt</b>			
General obligation tax notes	\$ 350,000	\$ -	\$ 350,000
Building authority bonds	370,000	-	370,000
Medical Care Facility bonds	8,000,000	-	8,000,000
Public Works - water and sewer debt	12,569,000	12,569,000	-
Michigan Transportation Fund notes	<u>2,165,000</u>	<u>-</u>	<u>2,165,000</u>
Net direct debt	<u>\$ 23,454,000</u>	<u>\$ 12,569,000</u>	<u>10,885,000</u>
<b>Overlapping debt</b>			
School districts			200,316,551
Cities			96,665,000
Townships			8,970,000
Villages			616,000
Intermediate school district			1,392
Community colleges			11,105,550
Library			<u>1,590,000</u>
Net overlapping debt			<u>319,264,493</u>
<b>Net direct and overlapping debt</b>			<u>\$ 330,149,493</u>

Source: Calhoun County Finance Department and Bendzinski & Co Municipal Finance Advisors

**CALHOUN COUNTY**  
**Legal Debt Margin**  
**Last Ten Years**

**Legal Debt Margin Calculation for 2006**

Assessed value	\$ 4,304,372,372
Debt limit (10% of assessed value)	\$ 430,437,237
Debt applicable to limit	19,495,000
<b>Legal debt margin</b>	<b>\$ 410,942,237</b>

	<b>Debt Limit</b>	<b>Total Net Debt Applicable to Limit</b>	<b>Legal Debt Margin</b>	<b>Total Net Debt Applicable to Limit as a Percentage of Debt Limit</b>
1997	\$ 241,100,964	\$ 40,645,721	\$ 200,455,243	16.86%
1998	262,695,422	37,854,616	224,840,806	14.41%
1999	286,541,248	36,403,272	250,137,976	12.70%
2000	308,199,405	37,536,686	270,662,719	12.18%
2001	337,068,241	33,424,706	303,643,535	9.92%
2002	362,038,829	34,535,290	327,503,539	9.54%
2003	377,715,142	27,507,553	350,207,589	7.28%
2004	395,397,056	24,384,270	371,012,786	6.17%
2005	411,102,610	22,996,241	388,106,369	5.59%
2006	430,437,237	19,495,000	410,942,237	4.53%

Source: Calhoun County Finance Department and Bendzinski & Co Municipal Finance Advisors

**CALHOUN COUNTY**  
**Demographic and Economic Statistics**  
**Last Ten Years**

<b>Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>	<b>School Enrollment</b>
1997	139,700	\$ 3,201,216	\$ 23,395	4.2%	27,440
1998	141,005	3,309,346	24,019	4.0%	27,189
1999	141,380	3,375,735	24,458	4.2%	26,521
2000	137,985	3,471,425	25,137	4.3%	27,348
2001	138,175	3,500,169	25,296	5.1%	27,432
2002	138,375	3,635,112	26,214	6.0%	27,001
2003	138,854	3,720,361	26,789	7.2%	27,528
2004	139,067	3,807,464	27,332	6.8%	25,962
2005	139,191	3,919,248	28,289	6.4%	25,709
2006	139,191 (a)	3,919,248 (a)	28,289 (a)	6.8%	26,703

(a) Census Data not available at the time of publication.

Sources: U.S. Census Bureau, U.S. Department of Commerce  
Michigan Department of Labor & Economic Growth  
Bureau of Economic Analysis, U.S. Department of Commerce

**CALHOUN COUNTY**  
**Principal Employers**  
**Curent Year and Nine Years Ago**

<b>Employer</b>	<b>2006</b>			<b>1997</b>		
	<b>Employees</b>	<b>Rank</b>	<b>% of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>% of Total County Employment</b>
Denso Manufacturing USA, Inc	3,000	1	4.46%	1,651	3	2.57%
U.S. Department of Defense, Logistics Service Center	1,900	2	2.82%	1,516	4	2.36%
Kellogg Company	1,800	3	2.67%	2,350	1	3.65%
Battle Creek Health Systems	1,554	4	2.31%	1,800	2	2.80%
Battle Creek Public Schools	1,300	5	1.93%	1,330	5	2.07%
U.S. Veterans Administration Hospital	1,150	6	1.71%	1,300	6	2.02%
I.I. Stanley	780	7	1.16%	760	10	1.18%
Kraft Foods, Inc.	760	8	1.13%	1,200	7	1.86%
Felpausch Food Centers	700	9	1.04%			
City of Battle Creek	650	10	0.97%			
Eaton Corporation				850	8	1.32%
State Farm Insurance Company				823	9	1.28%
	<u>13,594</u>		<u>20.20%</u>	<u>13,580</u>		<u>21.10%</u>

Source: Calhoun County Finance Department.

**CALHOUN COUNTY**  
**Full-Time Equivalent County Government Employees by Function/Program**  
**Last Ten Years**

Function/Program	Full-time Equivalent Employees as of December 31									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Legislative										
Board of Commissioners	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Judicial										
Circuit Court	21.50	16.50	14.00	13.00	12.00	14.75	14.79	14.00	14.75	14.80
Circuit Court - Family	0.00	17.00	15.00	11.00	10.00	11.00	11.00	10.00	10.00	10.00
District Court	50.20	59.15	58.28	56.74	52.18	54.04	55.80	54.23	55.58	56.33
Friend of the Court	45.00	45.00	52.43	53.66	58.30	61.50	59.49	58.83	59.06	59.60
Probate Court	26.00	9.50	10.00	9.00	10.00	9.00	8.88	8.88	9.00	10.00
Court Services	1.00	4.00	4.81	6.81	3.00	4.00	4.00	3.00	3.00	3.00
General Government										
County Administrator	4.00	4.00	4.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative Services	5.00	5.00	5.35	5.44	5.35	5.35	5.35	5.00	5.34	4.00
Information & Tech Systems	0.00	1.00	2.00	2.00	2.00	3.00	4.00	4.00	4.00	3.00
Facilities Management	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	12.00	11.00
Corporation Counsel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Finance	5.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00
Equalization	4.50	5.00	6.00	6.00	6.00	6.34	4.60	6.00	5.00	5.00
Human Resources	2.00	2.00	2.90	3.00	3.00	3.66	4.00	4.00	4.00	4.00
Clerk - Elections	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Clerk of the Circuit Court	0.00	5.00	10.82	10.00	8.81	9.00	9.00	9.00	9.00	9.00
Clerk/Register	9.00	9.00	11.19	9.50	10.56	10.43	11.50	11.50	11.50	11.50
Prosecuting Attorney	26.50	29.00	29.50	27.50	28.50	29.50	31.50	32.50	31.50	29.50
Treasurer	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Cooperative Extension	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Drain Commissioner	2.50	2.50	3.11	3.11	3.05	3.07	3.16	2.97	3.06	3.00
Planning	1.00	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Safety										
Sheriff	153.10	171.60	155.48	161.31	146.70	156.35	168.11	171.22	172.40	166.78
Community Corrections	1.00	4.00	3.00	5.50	8.00	8.00	8.50	8.00	8.00	7.00
Emergency Management	1.00	1.00	1.00	1.00	1.00	3.00	3.00	2.00	1.00	2.00
Drug Court	0.00	0.00	0.00	0.00	0.00	1.00	2.00	3.32	4.00	3.50
Prosecuting Attorney	10.00	10.50	12.00	12.00	12.00	11.00	13.30	15.00	12.00	12.00
Health & Welfare										
Health Department	74.45	70.32	71.06	70.78	69.11	64.13	66.64	70.44	64.55	53.48
Child Care Fund	48.55	47.10	49.01	54.90	49.04	48.75	53.19	53.68	49.94	42.90
Senior Millage	0.00	0.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Veterans Services	2.00	2.00	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Total	<u>524.05</u>	<u>559.42</u>	<u>561.20</u>	<u>562.99</u>	<u>540.36</u>	<u>558.61</u>	<u>583.55</u>	<u>589.31</u>	<u>580.42</u>	<u>553.13</u>

Source: Calhoun County Finance Department

**CALHOUN COUNTY**  
**Operating Indicators by Function/Program**  
**Last Ten Years**

<b>Function/Program</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Public Safety</b>										
Sheriff:										
Number of incidents	17,098	14,882	14,907	15,389	13,875	9,918	9,734	11,912	13,868	12,074
Number of bookings	12,748	12,097	10,694	11,867	13,062	12,985	11,916	11,020	11,574	10,810
<b>Health</b>										
Public Health:										
Vaccines administered	18,046	24,111	24,307	25,234	22,729	21,816	8,459	9,456	9,966	6,884

Source: Calhoun County Sheriff's Department  
Calhoun County Health Department



**CALHOUN COUNTY**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Years**

<b>Function/Program</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Police</b>										
Corrections facility maximum capacity	620	620	620	620	620	620	620	620	620	620
Vehicle patrol units:										
Police service automobiles	2	2	6	12	14	21	24	31	33	28
Animal control	1	1	2	2	2	2	2	2	2	3
Jail	-	-	-	2	2	4	5	5	5	5
<b>Public works</b>										
Miles of county maintained roads:										
Primary	498	498	498	522	522	483	483	483	483	483
Local	833	833	833	966	966	827	827	827	827	827
State Trunkline	-	-	-	207	207	205	205	205	205	205

Source: Calhoun County Finance Department

**CALHOUN COUNTY**  
**Schedule of Insurance**  
**As of December 31, 2006**

Type of Coverage Name of Company	Policy Period	Premium	Description
Michigan Municipal Risk Management Authority (MMRMA)	01/01/06-12/31/06	\$ 689,925	Auto, general and police legal liability of the County for bodily injury, property damage and personal injury. Limit \$15,000,000 per occurrence; self insured retention (SIR) is \$200K for general liability, \$16K per vehicle/\$31K per vehicle damage.
Buildings and Contents: Michigan Municipal Risk Management Authority (MMRMA)	01/01/06-12/31/06	Included	All risk coverage on buildings and contents at replacement cost of \$100,184,924 with an \$11,000 maximum self insurance retention (SIR) per occurrence. Includes burglary as well as perils from flood and earthquake.
Michigan Municipal Risk Management Authority (MMRMA)	01/01/06-12/31/06	Included	Covers loss to the County caused by dishonesty or fraudulent act of an employee or failure to faithfully perform the duties or the position. Limit \$1,000,000. All County employees are covered under this Blanket Faithful Performance Bond.
Marine Property Coverage	01/01/06-12/31/06	Included	Covers scheduled portable equipment consisting of boats, motors, trailers, jet skis, hovercraft, etc. Coverage limited to \$250K per occurrence.
Short-Term Bond Burnham & Flower Insurance Group	01/01/06-12/31/06	4,785	Bond is based on 40% of the tax levy for the County, schools and SET (State Education Tax). County is partially reimbursed for the cost of the bond.
Workers' Compensation Cambridge Integrated Services	01/01/06-12/31/06	26,721	TPA for Claims Service.
Safety National Casualty Corporation	01/01/06-12/31/06	20,500	Statutory specific excess insurance above a \$350,000 retention subject to an annual aggregate limit of \$1 million.
Sick & Accident The Hartford	01/01/06-12/31/07	237,876	TPA for Claims Service.
Long-Term Disability Mutual of Omaha	01/01/06-12/31/07	Varies	Covers all full-time GELC, IUOE, MNA, and AFSCME Health eligible employees. Coverage is 66 and 2/3% of monthly salary up to a maximum of \$4,200.
Life Insurance Lafayette Life Ins. Co.	01/01/06-12/31/07	Varies	Covers death of employee and/or AD&D. All full-time employees with coverage equal to 1 X annual salary, rounded down to the nearest \$1,000, up to a maximum of \$50K. IUOE members receive a flat \$50K.
Dental Delta Dental Core Plan	01/01/06-12/31/07	47.37	100% basic dental, 50% other services (excl Orthodontics), \$800 annual limit.
Community Blue Preferred Provider Organization (PPO) Plan 1 Blue Cross/Blue Shield	01/01/06-12/31/06	Varies	A cost-sharing medical care plan including preventive care services (in network only), coinsurance, prescription co-pay, with no deductible on covered in-network benefits. Out of network benefits have an annual deductible of \$250 individual/\$500 family.

Continued.....

**CALHOUN COUNTY**  
**Schedule of Insurance**  
**As of December 31, 2006**

<b>Type of Coverage Name of Company</b>	<b>Policy Period</b>	<b>Premium</b>	<b>Description</b>
Point of Service Plan 4 Blue Cross/Blue Shield	01/01/06-12/31/06	Varies	A cost-sharing medical care plan requiring a Primary Care Physician choice. The plan includes preventive care services (in network only), coinsurance, prescription co-pay, with no deductible on covered in-network benefits. Out of network benefits have an annual deductible of \$100 individual/\$200 family.
First Dollar Plan w/Master Medical Option 1 (80/20) Blue Cross/Blue Shield	01/01/06-12/31/06	Varies	Basic and Master Medical Comprehensive medical care coverage including emergency care, office visits, and prescription co-pay. Annual deductible of \$250 individual/\$500 family on Major Medical Benefits. Similar Retiree Plan offered with choice of including prescription coverage or opting for Medicare Part D for prescriptions.
Vision Care Blue Cross/Blue Shield/ Blue Vision Care (A80)	01/01/06-12/31/06	Varies	Vision Care option pays for certain vision care tests and supplies when obtained from a participating provider after County employee pays the provider the required co-payment amount.

# **CALHOUN COUNTY, MICHIGAN**



## **SINGLE AUDIT**

**For The Year Ended  
December 31, 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

**CALHOUN COUNTY, MICHIGAN  
SINGLE AUDIT**

**TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2006**

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	<b><u>PAGE</u></b>
Schedule of Expenditures of Federal Awards .....	1-3
Notes to Schedule of Expenditures of Federal Awards .....	4-5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	6-7
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	8-10
Schedule of Findings and Questioned Costs .....	11-13

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**CALHOUN COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2006**

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Passed through Michigan Department of Education:</b>			
School Breakfast Program	10.553		\$ 15,661
National School Lunch Program	10.555		28,614
Food Donation			
Entitlement Commodities	10.550		6,376
Bonus Commodities	10.550		402
<b>Subtotal - Michigan Department of Education</b>			<u>51,053</u>
<b>Passed through Michigan Department of Community Health:</b>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		<u>561,433</u>
<b>Total U.S. Department of Agriculture</b>			<u>612,486</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Passed through the Michigan State Housing Development Authority:</b>			
Community Development Block Grant/Entitlements Grants	14.218	MSC-97-0774-HO	<u>33,771</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>33,771</u>
<b>U.S. Department of Justice</b>			
<b>Bureau of Justice Assistance</b>			
Drug Court Discretionary Grant Program	16.585	2003-DC-BX-0077	<u>135,758</u>
<b>Subtotal - U.S. Department of Justice</b>			<u>135,758</u>
<b>Passed through Michigan Department of Community Health:</b>			
Office of Drug Control			
Edward Byrne Memorial Formula Grant Program:			
Southwest Enforcement Team	16.579	70888-6-04-B	23,003
Southwest Enforcement Team	16.579	70888-7-06-B	9,338
Calhoun County Drug Court	16.579	SCAO-2006-026	61,808
Calhoun County Drug Court	16.579	SCAO-2007-007	<u>18,133</u>
<b>Subtotal - Michigan Department of Community Health</b>			<u>112,282</u>
<b>Passed through Michigan Family Independence Agency :</b>			
Juvenile Justice and Delinquency Prevention	16.523	JAIBG-05-13001	21,685
Juvenile Justice and Delinquency Prevention	16.523	JAIBG-06-13001	<u>14,551</u>
<b>Subtotal - Michigan Family Independence Agency</b>			<u>36,236</u>
<b>Total U.S. Department of Justice</b>			<u>284,276</u>

**CALHOUN COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2006**

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Transportation</b>			
<b>Passed through Michigan Office of Highway Safety Planning:</b>			
State and Community Highway Safety:			
You Drink, You Drive, You Lose	20.600	PT-06-44	\$ 7,897
You Drink, You Drive, You Lose	20.600	PT-07-17	843
Click It or Ticket	20.600	PT-06-44	5,738
Youth Alcohol Enforcement	20.600	AL-06-22	1,075
			15,553
<b>Total U.S. Department of Transportation</b>			15,553
<b>U.S. Environmental Protection Agency</b>			
<b>Passed-through the Michigan Department of Environmental Quality:</b>			
Operator Certification	66.471		3,000
<b>Total Environmental Protection Agency</b>			3,000
<b>U.S. Department of Health and Human Services</b>			
Direct Program			
Consolidated Health Centers			
McKinney	93.224		444,137
<b>Passed through Michigan Department of Community Health:</b>			
Family Planning Services	93.217		27,345
Healthy Communities Access Program	93.252		544,633
Immunization Grants			
Immunization - IAP	93.268		62,557
Childhood Immunization Grants - VFC Provider visits	93.268		6,100
Vaccines	93.268		637,108
Medical Assistance Program			
CSHC Care Coordinator	93.778		3,746
Case Management Services	93.778		34,857
Cooperative Agreements for State-Based Comprehensive			
Breast and Cervical Cancer Early Detection Programs	93.283		40,382
Center for Disease Control and Prevention Investigation Technical Assistance	93.283		240,811
HIV Prevention Activities	93.940		32,947

**CALHOUN COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2006**

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
<b>Passed through Michigan Department of Community Health:</b>			
Maternal and Child Health Service Block Grant to States			
Local MCH	93.994		\$ 106,314
Case Management Services	93.994		17,643
Family Planning	93.994		<u>5,505</u>
<b>Subtotal - Michigan Department of Community Health</b>			<u>1,759,948</u>
<b>Passed through Michigan Family Independence Agency:</b>			
Family Support Payments to States - Assistance Payments	93.560		<u>248,797</u>
Child Support Enforcement:			
Friend of the Court	93.563	CS/FOC-06-13001	1,561,160
Friend of the Court	93.563	CS/FOC-07-13001	539,792
Prosecuting Attorney	93.563	CS/PA-06-13002	222,966
Prosecuting Attorney	93.563	CS/PA-07-13002	81,907
Medical Support Payments	93.563	CS/MED-06-13001	<u>76,116</u>
<b>Subtotal - Total Michigan Family Independence Agency</b>			<u>2,481,941</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>4,934,823</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through Michigan Department of Labor &amp; Economic Growth:</b>			
Community Emergency Response Training	97.004		115,321
<b>Passed through Michigan Department of State Police:</b>			
State Domestic Preparedness Equipment Support Program			
2004 Homeland Security Grant Program	97.004		144,955
2004 Homeland Security Grant Program - Interoperable Communications	97.004		21,244
Hazard Mitigation Grant Agreement	97.039		18,750
Homeland Security Grant Program			
2005 Homeland Security Grant Program	97.067		461,177
Emergency Management Performance Grant	97.067		<u>20,894</u>
<b>Total U.S. Department of Homeland Security</b>			<u>782,341</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 6,666,250</u></u>



# CALHOUN COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

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### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Calhoun County, Michigan (the “County”) and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

# CALHOUN COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 2. FUNDS WITH OTHER YEAR ENDS

The expenditures of federal awards of the Health Department are presented in the accompanying schedule using its fiscal year end of September 30, 2006, and are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 561,433
Operator Certification	66.471	3,000
Family Planning Services	93.217	27,345
Consolidated Health Centers - McKinney	93.224	444,137
Healthy Communities Access Program	93.252	544,633
Immunization Grants	93.268	68,657
Federal Vaccines	93.268	637,108
Medical Assistance Program	93.778	38,603
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.283	40,382
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	240,811
HIV/AIDS Syndrome Surveillance	93.940	32,947
Maternal and Child Health Service Block Grant to States:		
Local MCH	93.994	106,314
Case Management Services	93.994	17,643
Family Planning	93.994	5,505

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

June 23, 2007

To the Board of Commissioners  
of Calhoun County  
Marshall, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***Calhoun County, Michigan*** as of and for the year ended December 31, 2006, and have issued our report thereon dated June 23, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Medical Care Facility Enterprise Fund, the Delinquent Tax Revolving Enterprise Fund, and the Land Bank Authority Component Unit, as described in our report on Calhoun County's financial statements. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Calhoun County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2006-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Calhoun County in a separate letter dated June 23, 2007.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Calhoun County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Calhoun County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

June 23, 2007

To the Board of Commissioners  
of Calhoun County  
Marshall, Michigan

**Compliance**

We have audited the compliance of *Calhoun County, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. *Calhoun County, Michigan's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of *Calhoun County, Michigan's* management. Our responsibility is to express an opinion on *Calhoun County, Michigan's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Calhoun County, Michigan's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *Calhoun County, Michigan's* compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

## **Internal Control Over Compliance**

The management of *Calhoun County, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Calhoun County, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Calhoun, County, Michigan* as of and for the year ended December 31, 2006, and have issued our report thereon dated June 23, 2007. We did not audit the financial statements of the Medical Care Facility and the Delinquent Tax Revolving Fund, which are major funds, and therefore, separate opinion units. Those financial statements were audited by other auditors whose reports were furnished to us. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohson". The signature is written in a cursive style with a large initial 'L'.

# CALHOUN COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2006

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes    X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? X yes    \_\_\_\_\_ none reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes    X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes    X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)? \_\_\_\_\_ yes    X no



# CALHOUN COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2006

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### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutritional Program for Women, Infants and Children
93.224	Consolidated Health Centers (McKinney)
93.268	Immunization Grants

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  X  yes   no

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### 2006-1 Preparation of Financial Statements in Accordance with GAAP

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

# **CALHOUN COUNTY, MICHIGAN**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended December 31, 2006**

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**Condition:** As is the case with many smaller and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the financial statements. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

**Cause:** This condition was caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**Management's response:** The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

### **SECTION IV – PRIOR YEAR FINDINGS**

No matters were reported.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



June 23, 2007

To the Board of Commissioners of  
Calhoun County  
Marshall, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Calhoun County for the year ended December 31, 2006, and have issued our report thereon dated June 23, 2007. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated January 16, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Calhoun County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Calhoun County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Calhoun County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Calhoun County's compliance with those requirements.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Calhoun County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Calhoun County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in the County's internal service funds and for which the County utilizes the services of an independent third-party risk management consultant to estimate the liability. We relied upon the work of the third-party expert in determining that the liability is reasonable in relation to the financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Calhoun County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Calhoun County, either individually or in the aggregate, indicate matters that could have a significant effect on Calhoun County's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Calhoun County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This letter and the accompanying memorandum are intended for the use of the Board, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.

# **Calhoun County**

## **Comments and Recommendations**

**For the Year Ended December 31, 2006**

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In planning and performing our audit of the financial statements of Calhoun County as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

### **Other Matters – Use of Credit Cards**

As a part of our audit, we examined documentation related to purchases made with credit cards and reviewed the controls over such purchases. We noted several issues related to credit card purchases during those procedures, as follows:

- The County's purchasing policy establishes guidelines for the use of procurement cards. However, it does not appear as though the credit cards currently used by County departments were issued under this policy. The credit cards appear to have been issued in the name of a County official without specific approval of the Board of Commissioners, as required by the policy and by State law.
- The County's purchasing policy requires the use of purchase orders for small purchases over \$500. In addition, the policy limits individual procurement card transactions to \$500. However, certain purchases were made during the year that were in excess of \$500 and violated this policy.
- The County's purchasing policy does not currently address the timing of payments on purchasing card statements. State law mandates that the policy include language that requires "the balance including interest due on an extension of credit under the credit card arrangement shall be paid for within not more than 60 days of the initial statement date." During our procedures, we noted that credit cards were not being paid in a timely manner and that finance charges, including interest and late fees, were incurred.

We recommend that the County review its current policy to ensure that it meets all State requirements and that it allows for the benefits of a purchasing card program without unnecessary additional costs. In addition, the County must ensure that the policy is followed by all County departments and management must take appropriate action for any deviations from the policy.